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PUBLIC UTILITY ISSUE

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EDITORIAL

As We See It

The political campaigns of this year of our Lord, 1952, are now sufficiently advanced to afford the intelligent citizen some wholesome food for thought. So far as the Democratic party is concerned, the most significant fact seems to be that the President, though not a candidate, is quite obviously doing all that he can to see to it that his party continues to be a "Fair Deal" party.

The President is a shrewd politician, and is in a position to exert a very strong, if not controlling, influence upon the platform of his party. Precisely what is going on behind the scenes respecting candidates, it is not easy to determine. There are strong elements in the Democratic party which have little sympathy for much of the New Deal. They may or may not count heavily in the outcome of the voting next November, but so far as can be seen at this moment, the Democratic party must be put down as a Fair Deal outfit, and one which is likely to remain so at least for the foreseeable future.

The situation as respects the Republican party is less clear. The party, as is well known, has its elements allegedly slaves to a sort of "me-too-ism" and there are others stridently demanding that the party cast off the spell that New Deal-ism, Fair Deal-ism, and numerous humiliating defeats at the hands of the sponsors of these isms have administered during the past two decades. Senator Taft, sometimes referred to as "Mr. Republican," is rather commonly supposed to represent the elements in his party which would have no truck with the ultra-modernism of the day which threatens to undermine the American system. The Senator is a forthright man, and an exceed-

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Prospects Confronting the Private Power Companies

By J. E. CORETTE*
Vice-President and Assistant General Manager, The Montana Power Company

Calling private utility outlook a bright one, despite advance of Federal Power Program, Western power executive reveals vast outlay for government power projects. Says Congress does not look kindly on Federal power projects, with result Secretary of Interior resorts by edict to expand Federal Power Program. Holds private utilities can undertake large power projects without Federal participation, and contends Federal electric power is not cheap power. Advocates private companies maintain adequate generating and distributing facilities.

Paul McKee, your Program Chairman, and President Gadsby requested me to participate in this program so that this meeting would have before it the ideas of a utility man who anticipates a long future life in our industry. They wanted a person who engages in business in a state which now has and for many years has had the issue of Federal power dams and transmission lines.

J. E. Corette

As you know, the power policies of the Interior Department are reasonably uniform throughout the nation so that experience in one area where Federal projects exist and are under construction should be indicative of what to expect in other parts of the country.

Therefore it was thought that I should endeavor to present to you the situation as it exists today in regard to Federal power and private power companies, and the outlook for the future.

The Present Situation

The program of the Interior Department has been stated

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*An address by Mr. Corette at the 20th Annual Convention of the Edison Electric Institute, Cleveland, Ohio, June 4, 1952.

Electric Power Industry Meets Peak Load Demands

By GEORGE M. GADSBY*
Retiring President, Edison Electric Institute
President and General Manager, Utah Power & Light Co.

Mr. Gadsby reviews progress of electric power industry in meeting increased power demands, and reveals in 1951, capacity of power companies increased 7.3 million kilowatts as against peak load increase of 5.8 million kilowatts. Says peak load power demands were fully met and plans are made to retain margin of capacity over demand. Discusses problem of financing expansion and relationship with government, particularly the intrusion of Federal power projects on private operation. Calls for mutual trust and understanding between Government, Labor and Industry.

At our Convention last year in Denver, President Louis V. Sutton, viewing the rapidly increasing requirements for electric power and recognizing the possibility of slippages in the manufacturers' schedules, still had the courage to say, "When the increased power demand falls on our systems, we know from previous experience that we will have available increased capability with which to fill it."

George M. Gadsby

He was right! The peak load for 1951 increased about 5.8 million kilowatts, while total system capabilities increased more than 7.3 million kilowatts. In only one section of the country was the possibility of a power shortage sufficiently serious to warrant a power allocation order from Defense Electric Power Administration, and this order did not have to be put into effect because of timely rains which restored the area's capability to a level above the load requirements. Temporary threats of shortages in other very localized areas were met by co-

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*An address by Mr. Gadsby at the 20th Annual Convention of the Edison Electric Institute, Cleveland, Ohio, June 2, 1952.

PICTURES IN THIS ISSUE—Candid shots taken at the Annual Field Day of the Bond Club of New York appear on pages 25, 26, 27 and 28.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

LANCASTER M. GREENE

Lancaster & Norvin Greene, Investment Advisers, New York City

General Railway Signal

Because of my interest in aircraft manufacturers General Railway Signal came to my attention for its block signal system for safe control of air transport. This system received the Collier Air Trophy award for the greatest contribution to aviation in 1949, but the government has considered it too expensive for nationwide installation to this time.

Lancaster M. Greene

While this aspect faded into the distance as a profit maker the other characteristics of General Railway Signal still held my attention. It had on Dec. 31, 1951, working capital of $24.90 per share (after deducting the preferred shares at par value), a dividend of $2.50 for 1951, and earnings of $3.92 per share. Moreover my 10-year projection of probable business was favorable.

The management has run the company very conservatively but has been shy on financial relations. Analysts say the management has avoided talking with them. The company has not publicized sales although their reports to the SEC are published by the SEC and by the various investment services.

These policies have deterred some investors from owning General Railway Signal shares. Some part of its undervaluation is due to lack of widespread understanding of its products and its achievements. Mr. Paul Renshaw, President, and responsible for its progress for many years, has been elected Chairman and Mr. Herbert W. Chamberlain, President. Some investors hope more facts about General Railway Signal will become available to investors and their representatives.

Cut down models of General Railway Signal control systems are shown to company employees from time to time to impress upon them the importance of precision in their work upon which the safety of the traveling public depends. Few shareholders or analysts are believed to have seen these models operate or heard them explained. A demonstration of these models is worth 10,000 words in explaining General Railway Signal.

The limited market in the shares is caused, in part, by the few shares outstanding, 331,051 shares only. A greater number are necessary for a reasonably active auction market. A substantial stock dividend could improve the market. Price level, in my opinion, is relatively less important than marketability.

Now for the basic question of future sales. Can the pressure of higher wage costs continue or increase the demand for automatic signal and control equipment? This pressure exists and there are reasons to believe it may increase over the longer term.

Then a further question comes. Can the money be found for signal equipment if railroads had to husband their cash?

The answer is not as simple as it is regarding money for diesel locomotives. However, a method of financing of signal equipment has been developed by General Railway Signal, and experience with this paper by railroads and banks shows that it can readily be paid off on a five-year basis or sooner from the direct savings in cost. Savings have ranged from 20% to 50% annually on installations and it is my understanding that contracts are not recommended unless engineers project savings of at least 20% a year.

Re competition: General Railway Signal and Union Switch and Signal (a subsidiary of Westinghouse Air Brake) are the major factors in signal systems, centralized traffic control, car retarders, and yard classifiers. I believe these companies are running about neck and neck in sales.

In 1927 this same stock sold at 153, in 1937 at 65, and in 1946 at 48. It was not worth the fancy figures, in my opinion, but at any rate, it has more real value at present than when it sold higher. Book value was $37.55 at the year-end, and should be about 40 by Dec. 31.

Should management find a bargain company which fits its present operation, it seems reasonable that excess cash might be used to make the purchase, or an exchange of shares might be offered.

Selling about 30, the yield on the $2.50 dividend paid last year is approximately 8%. Earnings for the first quarter of 1952 were up nearly 50%, 95c vs. 64c in the first quarter of 1951. This suggests the possibility of $5 to $5.50 earnings for the full year and the possibility that dividends may this year reach $3 per share. If excess profits taxes end, earnings should benefit appreciably since General Railway Signal paid 82% on a substantial amount of its earnings.

My conclusion is that General Railway Signal at present levels has much to qualify it for inclusion in a list of "The stock I like best."

Editor's Note: Mr. Greene recommended Grumman as "The Security I Like Best" at 23 in April, 1950 or equivalent to 11½ on the present shares now selling at 28. The $2 dividend then has been continued on the split shares.

EDWIN J. PINGREE

F. S. Moseley & Co., Boston, Mass.

Oklahoma Natural Gas Co.

The security I like best is an operating utility engaged primarily in the distribution of natural gas. Oklahoma Natural Gas Co. serves a population of nearly a million people in the area of Tulsa, Oklahoma City and the eastern portion of Oklahoma. This service area is well diversified and its chief industries are agriculture, livestock and oil producing.

Edwin J. Pingree

The high residential load gives this company a good amount of stability. In fact, 62% of their revenues come from residential and commercial sales, 26% from industrial, 4% from other utilities, and 8% from other sources, principally a gasoline plant.

In the past five years total revenues have increased from $18,357,810 to $23,850,928 for the 12 months through February, 1952. At the same time, the number of all types of customers has increased from 223,938 to 292,652. Everything indicates that this growth will continue.

Oklahoma Natural Gas Co.'s operations are intra-state, and, therefore, subject to state regulation and not FPC regulations. The most recent rate increase was authorized Feb. 20 of this year, and it is estimated that this will add $3,224,622 per annum, or about $1.40 per share of common after taxes.

Even though this company is embarking on a $24 million expansion program during the next two years, earnings should run well ahead of the $2.92 earned in 1951. If this earnings trend continues, consideration possibly will be given to a dividend increase.

This common stock sells on the New York Curb Exchange for about 34. The dividend currently being paid is $2 annually, so that the yield is about 5.9%. In my opinion this stock is a good quality issue suitable for conservative accounts.

This Week's Forum Participants and Their Selections

General Railway Signal—Lancaster M. Greene, of Lancaster & Norvin Greene, Investment Advisers, New York City. (Page 2)

Oklahoma Natural Gas Co. — Edwin J. Pingree, of F. S. Moseley & Co., Boston, Mass. (Page 2)

COMING EVENTS

In Investment Field

June 12, 1952 (New York City)
Municipal Forum of New York conference at Hotel Commodore.

June 13, 1952 (Atlanta, Ga.)
Georgia Security Dealers Association summer meeting at the new Standard Town and Country Club.

June 13, 1952 (Milwaukee, Wis.)
Milwaukee Bond Club summer outing at Oconomowoc.

June 13, 1952 (New York City)
Corporate Bond Traders of New York Golf outing at the Nassau Golf Club.

June 13, 1952 (New York City)
Municipal Bond Club of New York annual outing at the Westchester Country Club and Beach Club, Rye, N. Y.

June 13, 1952 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia summer outing at the Whitemarsh Country Club.

June 16-17, 1952 (Detroit, Mich.)
Bond Club of Detroit-Security Traders Association of Detroit & Michigan joint summer outing—June 16 at the Detroit Boat Club June 17 at the Lochmoor Country Club.

June 17, 1952 (New York City)
New York Stock Exchange annual golf tournament at the Winged Foot Golf Club, Mamaroneck, N. Y.

June 18, 1952 (Minneapolis, Minn.)
Twin City Bond Club annual picnic at the White Bear Yacht Club.

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Progress in Electronics

By DAVID SARNOFF*

Chairman of the Board, Radio Corporation of America

Leading industrialist reveals that electronic computers for automatic accounting systems will reduce costs and increase efficiency of large-scale clerical operations. Sees also important role of electronics in improving health, reducing accidents and extending life expectancy. Describes television's growth and prospects.

David Sarnoff

What can a radio man talk about that would be of interest to leaders in the field of insurance? I asked Mr. Harrison. He suggested that progress in electronics is a subject that would interest you. I hope George is right, for this is my subject today.

What effect can electronics have on the improvement of health and life expectancy of your clients? What role can electronics play in the reduction of risks to life and property? How can electronics reduce costs and increase efficiency on the operating side of your business? These are the questions I have assumed you may wish to hear discussed.

Let me suggest at the outset that life insurance and electronics find a common denominator in the words of Dr. Samuel Johnson, "The future is purchased by the present."

Pioneering and scientific research are the insurance agents of industry, providing a permanent endowment of versatility and vitality. They give America economic strength and increase national security. They lead to new products and services, cultivate prosperity and improve the health of the nation.

Science, through research, has a unique way of edging up to an existing industry or business to completely revolutionize routines and operations, to increase their safety and productivity and to provide a better return for labor on its effort and for capital on its investment.

Electronics in Business

We in the field of radio consider electronics pertinent to the future of every business.

It is now feasible to combine the automatic devices which have been developed for radio-television to form a complete electronic accounting system for even the largest business organization. Such a system would provide for the translation, storage, computation, processing and printing of pertinent facts and information.

The burden and cost of record-keeping and of clerical work have increased tremendously over the years. At present it requires nearly as many people to do the nation's paper work as it does to grow all the crops and to care for all the farm animals in the United States. About nine million persons, or 16% of the working population, are engaged in clerical work. Most of these people perform tasks involving the entry of figures in books and ledgers and operation of mechanical machinery for processing information. This is a continuing job that must be done to keep the wheels of our economy turning.

In addition, there is another need that must be met. As the economy becomes more complex and the problems of business administrators increase, the need for prompt information becomes more pressing.

Present systems are too costly and too slow. Moreover, these systems cannot provide today's information on today's situation. Those responsible for making major decisions all too often find that they must shape tomorrow's policy on the basis of statistics which are weeks or months out-of-date.

Where millions of individual transactions are involved, the need for collecting and processing vast amounts of information increases enormously.

Through the development of electronic computers a major step has been taken toward solving the problem of processing the information accurately and speedily. The next step is to improve the present methods for collecting facts and statistics upon which many business decisions must depend.

An electronic system can select from an enormous mass of data the information that is pertinent to the solution of a particular problem. In effect, one can say to the machine, "I want a report on those areas in which our sales quotas have fallen short by more than 20%." And the machine will provide it in a few minutes. Also, it will go on from there and provide whatever else the collected data can reveal.

Electronic Computers

As insurance executives, therefore, I believe you will find the electronic computer most interesting among the many new electronic developments now under way, since it holds tremendous promise for use in the conduct and simplification of your business.

Through man's inventive and engineering ingenuity, electronic computers have been made to add, subtract, multiply and divide. Besides, they can memorize the results of these operations in such a manner that they are immediately available for another operation. There is every promise that these electronic systems can graduate

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*An address by Mr. Sarnoff before the Life Insurance Association of America, Hot Springs, Va., May 28, 1952.

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*Mr. May's ninth article in the series on the International Economic Conference in Moscow, which he attended as an accredited correspondent, appears this week.

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Price Provisions in Syndicate Agreements and the Sherman Act

Syndicated public offerings of securities distinguished from monopolistic price practices in the sale of commodities. Successful flotation of State, municipal and corporate issues makes imperative uniform public offering price during short initial offering period. Definitive legislation essential.

As we proceed to consider the validity of price fixing provisions in syndicate agreements for the primary distribution of securities, it is well to bear in mind that these have never been passed upon in a court of law.

In the course of the trial of certain investment bankers now in progress in the Southern District of New York before Judge Medina the Government had a motion pending, joined in by some of the defendants, asking for an enlargement of the issues so that the legality of these price fixing provisions would have come squarely before the Court for decision. However, the Court has since denied this motion, so that the situation remains as it was.

Section 1 of the Sherman Act says: "Every contract, combination in the form of trust or otherwise, or conspirary, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared void."

There have been numerous decisions defining this Act as it relates to commodities generally. These determinations can cause confusion unless certain distinctions between commodities and the initial offerings of securities are understood.

Price maintenance as to one security during a relatively short period of distribution, usually from 10 to 30 days, is different from schemes affecting the long-term marketing of consumer goods for the purpose and with the intent of permanent price fixing toward a monopolistic end through the erasure of competition.

The offered security, besides being in competition as an investment with every other security then already on the market, is also in competition with all other initial offerings of the same grade then pending.

There is also competition among the numerous investment banking firms who combine to acquire the new State, municipal and corporate issues in the first instance. The successful group must then enlist the aid of houses to retail the securities to the public throughout the country in competition with rival groups or syndicates trying to effect the distribution of other issues.

The whole set-up is one for the promotion rather than the stifling of competition, a promotion of competition which is intended to gain the public favor so as to stimulate and accelerate the distribution of the new security.

Aside from our industries, our States and municipalities raise much of the monies which make possible their functioning through the medium of these underwriting syndicate contracts containing price maintenance provisions. Marked havoc would result if such provisions were not enforceable. The orderly raising of capital by industry and with which to run our State and municipal governments would be hampered. Everyone in this country has a stake in seeing to it that there is no question regarding the validity of these agreements.

In a review of disciplinary proceedings involving the alleged violation of price maintenance provisions in a syndicate agreement relating to Public Service Commission of Indiana bonds, the Securities and Exchange Commission said in 1945:

"With the use of the syndicate, the investment banking process developed several distinct stages: (1) the purchase of the issue from the issuer by one banking house, or a small group of firms; (2) in some cases, the formation of a small original purchase group to take over and spread the commitment involved in the original acquisition of the issue; and (3) the formation of a syndicate or banking group to purchase the securities or to underwrite the sale to the public, with the managing or originating banker directing the ultimate distribution for the account of such syndicate.

* * *

"The practice of combining to purchase and sell securities at agreed prices is not merely an arbitrary outgrowth of tradition or a conscious attempt to avoid competition, but arises in large part from conditions and needs peculiar to the business of raising capital."

These agreements accomplish their purpose by provisions fixing the public offering price and arranging for the maintenance of that price during the limited period of the offering. These provisions are intended to assist in an orderly distribution.

The syndicate distribution of securities by underwriters has developed in response to the expanding need of States, municipalities and industry as a natural function.

In its Public Service of Indiana release the SEC said:

"Our views on the application of the anti-trust laws to the securities field may be summarized as follows: The mere making of agreements containing provisions for a fixed offering price, price maintenance and stabilization is not *per se* unlawful. But, like many other contracts, these may be entered into and performed under circumstances that amount to an unlawful suppression of competition. We have already noted certain factors by which the lawfulness of the syndicate may be judged. Among these are: the size of the group in relation to the size of the issue, the suppression of competition in bidding or negotiating for the business, and the duration of a syndicate dictated by the manager and major underwriters."

Remembering that this view is that of an administrative agency whose attitude is coupled with the interest of constantly seeking an extension of its powers, the quotation is significant.

Here is yet another quotation of value from a source which, for the time being, must remain nameless:

"In view of the conspicuous dissimilarities between securities and ordinary commodities in trade, it should be observed that few commodities fluctuate in price as sensitively as do securities. Few commodities are traded in such a nationwide and open market. Many commodities which are subject to relatively wide price fluctuations — e.g., agricultural products—are protected by government subsidies, governmental price-fixing, and hedges through trading in futures, while State Fair Trade Acts and the Miller-Tydings amendment to the Sherman Act specifically authorize certain price maintenance agreements in the merchandising of trade-marked products. Yet, in spite of these aids to distribution, which indicate the public interest in minimizing speculation in common inventories, a middleman's mark-up as small as the spread received by investment bankers would be considered impossibly low in the distribution of commodities."

Current syndicate agreements date back to somewhere between the 1870s and 1880s. During all of the interim to date no court in this land has passed upon the legality of the price maintenance provisions in such contracts. Considering the fact that during that time billions of dollars in State, Municipal and Corporate securities have been underwritten and distributed it would be hard to believe that many opportunities to question such legality had not heretofore arisen. That such question has not been raised up to now would seem to indicate that there has been a general acceptance of the view that the price maintenance provisions in syndicate agreements for the distribution of primary issues are generally regarded as valid.

Such general acceptance is readily understandable in the light of all the distinctions that have been drawn between the flotation of new issues and the sale of commodities generally, and in the additional light of the purpose of these syndicate agreements to sell securities in competition as distinguished from the price fixing purposes sometimes incident to the sale of commodities by groups operating in restraint of trade.

However, there ought to be no uncertainty of any kind. To set the matter at rest, the best solution would appear to be a Congressional enactment which will specifically exempt the price maintenance provisions of these syndicate agreements from the operation of the anti-price fixing and anti-monopoly laws.

EDITOR'S NOTE—The "Chronicle" will be pleased to receive comments on the views expressed in the above article or on any related phases of the subject. They will be published anonymously if the writer requests that his identity not be revealed. Address communications to Editor, "The Commercial and Financial Chronicle," 25 Park Place, New York 7.

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COMING EVENTS

June 20-22, 1952 (Minneapolis, Minn.)
Twin City Security Traders Association annual summer outing "Operation Fishbite" at Grandview Lodge on Gull Lake.

June 20, 1952 (New Jersey)
Bond Club of New Jersey annual outing at Rock Spring Club, West Orange, N. J.

June 27, 1952 (Cleveland, Ohio)
Cleveland Security Traders Association summer outing at the Westwood Country Club.

June 27-29, 1952 (Coronado, Cal.)
Security Traders Association of Los Angeles annual spring outing at the Hotel del Coronado.

June 27, 1952 (New York)
Investment Association of New York annual outing at the Sleepy Hollow Country Club.

June 27, 1952 (New York City)
New York Security Dealers Association annual outing at Hempstead Golf Club, Hempstead, Long Island.

June 28, 1952 (Chicago, Ill.)
Bond Traders Club of Chicago summer party at the Chevy Chase Country Club.

Aug. 22, 1952 (Denver, Colo.)
Bond Club of Denver-Rocky Mountain Group of IBA Summer Frolic at the Park Hill Country Club.

Sept. 19, 1952 (Chicago, Ill.)
Municipal Bond Club of Chicago annual field day at the Knollwood Country Club.

Sept. 28-Oct. 1, 1952 (Atlantic City, N. J.)
American Bankers Association Annual Convention.

Oct. 5-7, 1952 (San Francisco, Calif.)
Association of Stock Exchange Firms Board of Governors Fall meeting at the Mark Hopkins Hotel.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

The holiday week-end and labor unrest had a slight slowing-down effect upon overall industrial production in the period ended on Wednesday of the previous week. Many plants shut down in observance of the Memorial Day holiday, while others closed due to strikes.

Aggregate industrial output did not quite equal the high level of a year ago. Claims for unemployment insurance benefits held at the prior week's level, but were about 15% above a year ago. Initial claims rose for the first time in six weeks.

Employment during May continued to climb. On the tenth of the month, there were 61,176,000 job holders, more than a million above April levels. "Employment has never been at a higher figure in May and unemployment is at a near minimum," Secretary Sawyer of the United States Department of Commerce noted.

Steel ingot production was reduced to a trickle by the walkout which followed the Supreme Court decision invalidating government seizure. Steel stocks were generally sufficient for at least a month's operations in most industries.

Steel loss because of strikes will by the end of this week approach the 6,000,000-ton mark, according to "The Iron Age," national metalworking weekly. When negotiations fell through on Monday of this week it was almost a sure sign that more serious steel losses were in prospect for next week and perhaps for other weeks. Despite reports from the union side that money matters were also a bar to settlement, the major stumbling block and probably the only one is the union shop issue.

The third offer of the steel industry which amounted to an average of 16 cents an hour on wages and close to 6 cents an hour on fringe was a reconstruction of most of the Wage Stabilization

Mounting Congressional and public pressure gave pause to both sides early this week in an effort to settle their differences before the steel strike became a national topic of frustration, this trade journal notes.

An inside story on the union shop issue indicates that Mr. Murray is strong for this feature because he wants to become competitive with the United Mine Workers Union which was "given" the closed shop in December, 1941, by the Administration.

Arguments that steel firms recognize a closed shop among other groups of employees in the steel industry should be qualified to some extent. In those cases, states this trade journal, the steel industry has little or no control over working conditions because the bulk of those groups such as coal miners and railroad workers represent large segments completely outside of the steel industry.

Statistically, steel supplies in the hands of customers were fairly heavy. From a distribution basis there were plenty of serious spots, states this trade weekly, where (1) supplies were insufficient to maintain strong manufacturing schedules; (2) supplies were sufficient for no more than two more weeks of operation, and (3) supplies were so unbalanced that even though total inventories were large shortage of specific items urgently needed would make the heavier stocks useless.

Throughout the entire negotiations recently there has been no question of steel prices. This indicates that secret assurance was given the industry that an adequate price advance would be approved upon settlement of the wage negotiations, concludes "The Iron Age."

In the automotive industry car and truck manufacturers have only enough steel to sustain production for the next two weeks, states "Ward's Automotive Reports."

Steel shortages, plus serious imbalances of inventories, are to blame for the present situation. Report of 45-to-60-day stocks do not take into consideration the fact that for weeks past car makers have been consuming steel twice as fast as they have been receiving it, this agency pointed out. Incoming shipments have been as much as 60% below schedules ever since the two brief strikes occurred in steel mills earlier this year.

"However, even this may only serve to postpone the day of reckoning, since already many car makers can see the bottom of the barrel in some steel items," according to this trade publication.

Price levels of consumer goods are unlikely to reflect any "major change" in the immediate future, the Federal Reserve Bank of New York said in its monthly business review. Supplies of most items, it added, now appear adequate, and "many lines have capacity available to offset a resurgence of demand." The review concluded, "the picture is one of reasonable balance between supply and demand at a high level for the rest of the year."

Construction outlays in May rose to $2,700,000,000, a new high for the month. This lifted expenditures for the first five months of 1952 to $11,900,000,000, a $400,000,000 increase over a year ago, the Commerce and Labor Departments reported.

Under new government regulations effective on Wednesday of this week, housing credit controls were relaxed and down-payment requirements on home purchases were lowered, but no change was made in the time allowed for paying off loans for this purpose. The down-payment on houses costing $7,000 or less was cut to 5%, from 10%, and for dwellings costing $25,000 or more, the reduction will amount to 40%, from 50%. In between, the down payment schedule rises from 10% to the 40% maximum. Veterans will be exempted from down-payments on homes costing up to $7,000.

The new terms do not affect credit regulations for commercial construction, which will also be relaxed shortly.

There was a slight increase in the number of new stock corporations formed during April, Dun & Bradstreet, Inc., discloses. New businesses chartered last month rose 4.8% to a total of 8,284, from the March figure of 7,902. They were 8.2% above the 7,653 for April last year, but were down 1.1% from 8,375 in April, 1950.

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Can We Do Business With Stalin?

By A. WILFRED MAY

This is the ninth in a series of articles by Mr. May following his attendance at the International Economic Conference in Moscow, which he covered as an accredited correspondent.

Not only at the recent International Economic Conference in Moscow, but elsewhere continually,* is the plea being advanced that the West can and should, for the cause of world peace and prosperity, make a vigorous effort to establish trade relationships with the Kremlin and its satellites.

A. Wilfred May

The cold hard fact that the decision whether there shall be trade does not lie with the West is clearly instanced in the current impasse that has developed in the Russia - Norway trade relations. Involved is renewal of the treaty between those countries, which was initiated in 1949 and expired in January, 1952. The pact, whose three-year renewal was offered by the Norwegians and turned down by the Kremlin, consisted of a relatively broad trade agreement embracing about 20 separate commodities. In the absence of renewal of the agreement, the two countries' trade relationship has since last January been tenuous and restricted to but two or three materials, as herring and aluminum shipped eastward to Moscow in exchange for some manganese, wheat and rye—and on a strictly barter basis. And even in the case of the aluminum, the Russians have acquired but 1,000 tons instead of the 10,000 which they want. The negotiations have followed more and more barter technique, in line with Russia's trading tradition.

The reason for the great reduction in the number of commodities covered by the stop-gap arrangement lies partly in the fact that Moscow here also has been insisting on getting strategic materials — including molybdenum aluminum and steel alloys—materials which, as a NATO member, Norway is prohibited from supplying. But in the past the Norwegians have also supplied the Soviet with a liberal proportion of non-strategic goods, which she is still prepared to sell. The Russian's refusal of the non-strategic goods here is particularly glaring because of the voluble propaganda-line voiced at the Moscow Conference and elsewhere posing themselves as eager-beaver customers for non-strategic as well as strategic goods. Another of the numerous instances where the Russian's concurrent **actions** supply the definite answers to their **words!**

Trading Efforts Off-the-Beam

Not only in Norway, but in many other sectors, has it been incontrovertibly demonstrated that much more than a nice try is needed by the West to restore trade. Similarly, with Britain's textiles have the Russians shown before and after the Moscow Conference, that actually they are not customers, excepting possibly of insignificant quantities and only with a tie-in with the strategic and near-strategic goods which they want for war-making purposes. And in China, with the Russians' Conference protests against Western stoppage of trade with Red China still echoing, businessmen in Hong Kong were squeezed into making a complete withdrawal.

It must be realized that the Soviet barter trade offers, even if they were sincere, would not solve the difficulties of our European friends, because Moscow does not need those categories of goods which the West has for sale, and the West doesn't have available for sale those goods which Moscow so desperately needs and would buy, either with or without tie-in.

The Realistic Political Framework

But, most importantly, must our wishful thinkers be realistic by appreciating the fact that the economic considerations are entirely secondary to the **political** framework within which they are occurring—that the Kremlin-ites with their pious representations about trade truly function as political wolves masquerading in economists' sheep's clothing. They must realize that in the case of all state-directed trade, and has proven to be true to the nth degree in the case of Moscow, the business will be turned on and off to follow the dictates of political strategy.

Such autarchic-political domination of international trade policy is clearly evidenced by the Kremlin-dominated empire's past record, which must not be overlooked by Westerners with optimistic expectations. In 1950 the foreign trade done by the world's Communist - dominated countries amounted to only 4% of that done by the rest of the world—a situation reflecting traditional Russian policy and philosophy rather than the democracies' current embargoing of strategic materials' exports. In the early 1930s, after the relatively large-scale trade period of 1932-33 motivated by the Kremlin's industrialization needs, within two years—1934 and 1935—imports were reduced by a full 80%.

One is forced to barter-with-the Tartar, and in the ways suited to the exigencies of this State's decreed economic and political interests of the moment.

Because of the political motivation dictating all the Soviet's policies, including the economic, Western and Eastern business negotiators will always be speaking to each other in double-talk.

In view of the Kremlin's evidences again and again of its worldwide political aggression dominating its every move in all fields, how can we take the risk that it may now be otherwise?

Highlighting this political-economic divergence, and the inconsistency between a Silk Curtain for trade being combined with an Iron Curtain for politics, is the Oatis type of incident. How can our businessmen possibly have an appetite for traveling to Moscow —or any of its satellites to negotiate, in the face of this clearly-

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*"Can We Do Business with Stalin?", with the writer defending the negative position, was the topic of this week's University of Pennsylvania Forum of the Air.

From Washington Ahead of the News

By CARLISLE BARGERON

Probably the silliest propaganda in the Republican Presidential campaign is to the effect that this is a Democratic country with a capital D, and in order for the Republicans to win they must have a candidate who can entice Democrats to the Republican fold. That candidate must be sort of a hybrid, part Democrat and part Republican. He would have a chance, we are told, because the country is really burned up over the corruption in government under the Democrats and the Korean fiasco and the high taxes, etc. But the people aren't burned up enough over these things to take a whole Republican, only part of one. The indignation of the people, it seems, is limited.

Carlisle Bargeron

The plain fact is that the statement about this being a Democratic country is meaningless. From 1932 on the country has unquestionably voted Democratic. Prior to that time, from 1920 to 1932 it voted Republican. Therefore, presumably, on the basis of the present contention that the country is Democratic, it was Republican. Before that it was Democratic, before that it was Republican and so it has been all down through our history. The Republicans have a siege of power and then the Democrats come in for a run.

As to just whether the country today is Democratic or Republican is anybody's guess. A Democratic Administration is in power but it doesn't follow that the majority of the people are Democrats. If they are, it makes no difference whom the Republicans nominate. On the other hand, if the people are enough fed up they will kick the Democrats out next November and bring the Republicans in. Then I suppose it will be said we are a Republican country. The fact will simply be that enough people were fed up to effect an overturn.

I can't accept the thesis of the Eisenhower supporters that the country is fed up enough to vote for a part Republican but not a whole one, particularly with the General seemingly considering it to be his main job just now to convince the country he is not a part Republican but a whole one. For every Democrat he might pick up who didn't intend to vote Republican anyway, you can rest assured he would lose a Republican.

The danger to the Republicans with Taft as the nominee is not any lack of popular appeal on his part. It lies in the determination of an influential element in the Republican party that our future economy must be tied in with spending in Europe, and if a corrupt Democratic Administration must be kept in power to accomplish that, then that must be done. But if the people of the country are really fed up enough to throw the rascals out, they will do it in spite of this crowd.

Indeed, it is my belief that this crowd is going to be in a very unhappy state in the next few weeks, which is to say that it looks now as though Taft is not going to be stopped. This is not my feeling alone. It is the growing feeling on Capitol Hill among Republicans and Democrats alike.

The squealing about the so-called Taft steamroller tactics in Texas and other Southern States is an indication of the nervousness on the Eisenhower side. Dire crocodile warnings by newspaper supporters of the General that it was this same sort of steam roller that ruined William Howard Taft in 1912 should be taken with a grain of salt. What happened this year in Southern States is hardly analogous to 1912. An important difference is that in 1912 a very vain man, Theodore Roosevelt, was determined to be President again or wreck the Republican party in the attempt. He accomplished the latter. William Howard Taft controlled the Southern delegations through the power of patronage. He was President, seeking reelection. Then, as now, Southern political novices set up contesting delegations in the hope of attaining some political standing. They were bowled over at Chicago by the Taft-controlled convention.

It is different this time in that the Southern Republican delegates are not controlled through any patronage power. Taft has had no patronage to distribute. Money has undoubtedly played a part but there has been just as much money on the Eisenhower side, to say the least.

There is a similarity in the contesting delegations that have been set up by the Eisenhower managers. They are political newcomers, Democratic voters all their lives, who see possibilities of political standing and patronage in the disturbed political conditions. To contend that they held regular and orderly conventions and were duly elected, while the old Republican organizations just met and did what they wanted to do, is to my mind, ridiculous.

With the exception of Tennessee, Florida and Virginia, there is no Republican party in the Southern States to have primaries or conventions for the selection of delegates. The so-called Republican organizations are but tight little groups and owe their standing to recognition every four years by the National Convention. Occasionally one crowd is installed and another kicked out.

But the organizations or the crowds that are behind Taft this year and the ones that won't let the Democrats move in and take over are the same groups that were recognized by the Convention four years ago, the Convention that nominated Dewey.

Business Man's Bookshelf

Children Who Never Had a Chance — Lucy Freeman — Public Affairs Pamphlet No. 183—Public Affairs Committee, Inc., 22 East 38th Street, New York 16, N. Y. —Paper—25c.

Investment Companies—Revised 1952 Edition — Arthur Wiesenberger — Arthur Weisenberger & Company, 61 Broadway, New York City—Cloth—$15.

In New Quarters

R. M. Smythe & Co., Inc., have announced the removal of their offices to new and larger quarters on the eighth floor at 79 Wall Street, New York City.

Investing for Profit

By GEORGE C. ASTARITA

Associated With Colorado Springs, Colo., Office of Boettcher & Co.

Mr. Astarita discusses such investment topics as (1) proper selection of a particular security; (2) flexibility in judgment regarding switching from securities held and replacing them by others; (3) fitting securities to investors' individual needs, so as to obtain, as desired, safety of principal, income and appreciation. Stresses value of diversification in security holdings, but warns it is no assurance of safety. Reviews types of investment companies and reveals advantages and disadvantages of each to uninitiated investors.

I

Selection

Selection of the particular security, not timing of the market swings, is the first and most important ingredient in the recipe for success in making money in the market. One must possess a full realization that the person doesn't live who can time stock market swings. Yes, one can recognize certain major trends and from time to time he can catch the minor swings as well, but over a long period there has never been any financial service, institution or individual who has been consistently right on stock market gyrations. Humble yourself to the extent that you are not going to be the exception to this rule. Stop gazing into the crystal ball and making guesses as to whether or not the market is going up or down. To assume this objective attitude is easier said than done but it is of vital necessity for successful market operations. One must close his ears to rumor mongers and financial gossip concerning market trends. He must be adamant in his decision to forget the market as a market and instead to concentrate upon selecting those securities which will perform well more or less regardless of market circumstances.

George C. Astarita

If you will go along with this thesis and will steel yourself to the necessity of thinking only about the individual security and not the market, then you are ready and in a position to take advantage of many opportunities which exist in special situations. The reasoning behind the principle of selection rather than timing the market is simply this: If you select a security which represents a company in the process of growth you will find that that security will do better than the market; if the market goes down, the security should hold up better than the market; if the market stays on an even keel, your security should rise gradually; if the market goes up, your security should go up considerably faster than the market.

If I have labored this point it is only because the principle involved is so important. Few of us can be market experts but many of us can determine which stocks are more attractive than others, much the same way as we can determine exceptional values in a department store.

All right, you say that you are ready and willing to abide by this all-important principle of selection, but how do you go about it? The answer is simply that you must be a good judge of security values just as you would be a good judge of automobiles, clothing, houses or any of the other hundreds of necessities which go to make up your daily living. On any given day you can go over the 1,200 or so listed securities on the New York Stock Exchange, the 800 or so on the New York Curb Exchange or the thousands traded on the Over-the-Counter market, and you will find bargains based on comparative values. That is to say that all securities do not at all times sell in an exact relationship to the values which they represent. Certain securities will be what is called "out of line" with other securities in the same category. If you will find those particular ones you will be finding values and if you buy values you will make money. Think of it in terms of a fruit stand. I am sure that you are careful to select the finest quality melon, plum or banana in the group because you pay no more for it than the not-so-attractive ones reposing alongside. If you will do the same in the selection of securities you will find that you will obtain better values and therefore your investments will make money for you.

The next question is, what determines value? Most of us are familiar with the usual yardsticks of assets, earnings and dividends. These are good yardsticks, but they are not the sole measurements of security values. All of these measurements are available in the financial manuals and clearly depict the past record of any given company. Using solely these measurements one is able to do a good job of selecting comparative values but if he will read between the lines he will do a still better job.

By reading between the lines I mean formulating judgment on the most probable future course of any given company. The past record often affords a good guide to the future but it should be used only as a guide and not as a final determinant. Too many people look only at the past and attribute too little judgment to what the future may hold for the operations of a company. To carry this to an extreme, it could be pointed out that at one time there existed companies engaged in the manufacture of buggy whips, and based upon the past records of these companies, one could very well have bought a buggy whip stock at the time the automobile was about to come into existence. The past record, therefore, must be used judiciously and perhaps even more attention paid to what the future holds for the fortunes of a company.

To gauge the future you must keep abreast of daily developments in the political, economic and even the psychological world. That is a pretty trite statement, but nevertheless true. In selecting any particular security you have to know something about the products or services which that company has to offer—whether or not they are good, mediocre or above average. You have to know something about the ability of the company to distribute these products or services over a wide field and yet at a cost which is moderate. You should know whether or not the company in question is capable of promoting the sale of its products or services in an efficient and superior manner. It goes without saying that the company should

be able to produce at a cost which will permit adequate profits and that it has comfortable finances. Finally, you should make sure that the company possesses an adequate research staff in order that its products or services may continue to stay ahead of the parade. If you as an investor do not feel capable of this rather large task, then it is wise for you to accept the counsel of an institution or an individual in whom you have confidence to perform the job for you.

But to get back to the problem of actually making money for yourself, it is my responsibility to tell you how I think you can best do it. Take a good look at every piece of news having to do with the financial world, and few items are published which do not have some bearing on the course of the securities markets. Learn to evaluate news events and changing trends in the economy. If atomic power, for example, is to be the big feature of the next industrial revolution, then it will pay you to seek out those companies which stand to benefit from this development. It may be too early to capitalize on what is to come in this industry, but not too early to be alive to the possibilities. Think, too, what effect the development of atomic power might have on the oil industry. It is altogether possible that oil may become as decadent as coal with the advent of atomic power applied to general industry and household usage. Of course, that is doing some dreaming, but nevertheless the example points up the principle involved; that is to say, one must be constantly abreast of changing conditions in order to properly appraise the effect of these developments on the securities markets.

Perhaps a better example might be to consider the current defense program and its effect on security values. In other words, if we are going to experience large expenditures on the part of the government for armament for an indefinite period of time, I think we shall find that many securities in the heavy industries will perhaps acquire a better investment status in that the continuity of earnings will be more assured. Cyclical securities always sell low in relation to earnings and dividends because they are subjected to sharp ups and downs in the economy. Eliminate to some extent these cycles and you have eliminated, to a large degree at least, the irregular nature of the earnings and dividends. A security which is regular in its reporting of earnings and dividends naturally sells higher in relation to these measurements than one which is irregular in the same respects. That is not a prediction on my part, but is simply another example of what I call investment reasoning, or the exercise of judgment in the light of changing conditions.

Look at what happened to the rubber industry when synthetic rubber came into being. Overnight the industry changed from one of a very speculative nature to one of fair investment grade. Why? Because the stable price of synthetic rubber eliminates the wide variation in inventory values resulting from sharp price changes in natural rubber. One could have profited handsomely simply by recognizing the basic economic changes taking place within that industry brought about by scientific development. More or less the same thing is now happening in the carpet industry with the advent of the use of rayon in the place of wool. As time goes by I feel that the carpet industry will take on a more stable character as the result of this development, and that therefore the securities of the carpet companies will gain in investment stature. One does not have to be a seer to recognize the vast potential inherent in the air conditioning industry or in petro-chemicals. Investment success is as simple as that. All one has to do is to recognize the changes which are constantly taking place and to take advantage of these changes if it can be reasonably assumed that they will benefit the industry or the company in question.

Select for investment those securities which hold promise for the future. Careful reasoning based on obvious facts and trends will do the trick. Use enthusiasm and perseverance in performing your selection just as you would in choosing a new hat or a spot for a vacation. And I think it should be said here that no cynic or pessimist has ever made a fortune in the stock market. One must be optimistic and believe in the growth of well managed companies and in the continued expansion of the United States itself. Seldom has it paid the investor to liquidate all of his securities and in any event all well-selected stocks have always attained new highs after every set-back.

So, just as I have said for you not to listen to comments on the general market, I say to you to listen to comments on individual securities. Listen, but do not be stampeded into acting on purely hearsay. Check your information carefully. Make sure you have a basis in fact for expecting that particular security to do better than other securities. Once you have made up your mind, act accordingly and forget about the market. Selection, not market timing, is the key to investment success.

II

Flexibility

Investment is not an exact science and therefore one will make innumerable mistakes. It is not so much the mistakes themselves which will hamper one's successful operations as it is the human failing to correct the mistakes quickly. It just seems, though, that most human beings are not constituted for the admission of error and for the acceptance of losses. Failure to take losses has cost more investors more money than can ever be counted. And strangely enough, few people realize that the loss exists whether it is taken or not. How much better to admit an error in judgment and to take the loss in order to put the funds to better usage elsewhere. It is all very well to persevere in the holding of a security provided that security continues to do well, but to persevere in holding a security when it is performing worse than the market is financial folly. Pride of opinion is costly in financial operations. To be successful marketwise one must be flexible in changing his opinions.

Another example of flexibility is willingness to repurchase a security sold at a lower price. Here, again, human nature rears its ugly head to the detriment of investment success. I dare say there is not one person in a thousand who, having once sold a stock, can bring himself to buy back that stock at a higher price. And yet, time after time, it is necessary to take this course of action. Because one is familiar with a stock which he has once owned he perhaps can recognize the wisdom of buying it again. But few persons will take advantage of such wisdom when the cost price is higher than the selling price. How silly not to repurchase a stock just because it once was sold at a lower price! What bearing has the former transaction on the one about to be made? The stock may well be a better buy at twice its former price. Remember that changing conditions call for changing appraisals of security values. Be flexible!

For my part if I own ten or 20

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Bankers Must Anticipate an Economy of Overproduction

By WARREN R. FORSTER*
Senior Vice-President, Hamilton National Bank, Washington, D. C.

After reviewing conditions some 20 years ago, which he contends were similar to those of present, Mr. Forster points out strength of our economy may be tested in next few years. Sees, as foremost problem, utilization of our tremendous productive capacity and urges development of foreign markets for our industrial products. Urges as precautions, "before big wind starts to blow": (1) strengthening banks' capital; (2) scrutiny and strengthening of loans; and (3) charging off of doubtful assets. Cites new and higher concept of bankers' duties.

It is customary in courtroom procedure in this country, when an expert witness takes the stand, to require him to prove his qualifications before proceeding with his testimony. As to our "future problems" and how best to meet them, my authority may well be subject to challenge. The uneasy political equilibrium of our world admits of no certain pronouncement. I can only offer what the kinder element may call a considered opinion, and the ruder set, a flying guess, in the hope that at least this convention will be over and I shall be safely out of town before I am proven wrong.

Warren R. Forster

But on the subject of "pitfalls," I have no qualms whatsoever as to my qualifications. I have had a long and intimate acquaintance with pitfalls—from the bottom up. I have been in most of them. What I have learned not to do, I have learned mostly by doing it. If that is not enough, during the frantic days of 1932 and early 1933 I was on the Washington Examining Staff of the Reconstruction Finance Corporation, much of the time on its Review Committee, so that in addition to my own vast experience in making mistakes, I have had pass before me the mistakes, troubles and tragedies of literally hundreds of banks in all sections of our country. Some of you are doubtless asking yourselves: "Why talk about something that happened 20 years ago. It is the present and the future that concern us." Well, it is simply because it all did happen 20 years ago that I want to talk about it now. These past 20 years—and they must cover the active banking careers of many of you—have been years of ease and plenty for banks. Deposits have been going up, and up. Serious loan and security troubles have been virtually nonexistent. Aside from personal problems and the effect of taxes on our earnings, we have had little to disturb us. We have been "eating high on the hog." We would be more than human if our self-satisfaction had not increased and our vigilance relaxed in these two decades.

*An address by Mr. Forster before the 50th Annual Convention of the American Institute of Banking, Houston, Texas, June 5, 1952.

It is not easy at this distance to recreate the grim atmosphere of 1932 and the spring of 1933: the long lines, sometimes orderly, sometimes panicky, the hysteria and the fear, the board meeings in the midnight hours, where men, who all their lives had enjoyed the respect and honor of their neighbors, faced the awful prospect of confessing themselves failures. It is not easy—nor do I believe it would serve any useful purpose. Those of us who went through it came out with an inflexible resolve that it must never happen again.

It is, however, easy to trace at least the major causes of that tragic era. Over-optimism and unprecedented speculation in securities based on a belief that we were in a new economic era; that the law of supply and demand had been repealed and that values could move in only one direction—up; a record increase in the productive capacity of the United States; the completion of the intensive building program that followed the slack of the war years; the depression which struck all Europe and forced Britain off the gold standard in 1931; and, finally, we must confess, the poor organization of our banking system to meet a really serious challenge to its liquidity. Some, although not all of those causes are present today. The productive capacity of the country has increased at a rate far greater than in the '20s. We have had an era of tremendous building activity during the last five or six years, and there are already signs of serious financial difficulties in Europe and other parts of the world. We do not have excessive speculation in securities, and fortunately our banking system is now far better organized to meet a real test of its liquidity.

The Lessons of the '30s

From those bitter days we learned many things, some negative and some positive. We learned that greed has no place in commercial banking; that an 8% rate in a 4% money market is almost invariably compensated by excessive risk. Holders of foreign securities were made tragically aware of this. We learned that earning capacity, not reproduction cost, was the true test of industrial values; that even a first mortgage on a plant or on railroad trackage was no better than the earning capacity of the plant or the trackage. We learned that all of our credit ratios were no more than figures on paper without a thorough and complete knowledge of the asset values used in computing those ratios. We learned that the payment of dividends to bolster the market values of our capital stocks was secondary to the preservation of the integrity of our capital funds and that capital invested in monumental bank buildings could not be paid out to depositors over the counter in an hour of need. We learned, I hope with some finality, that the first loss is generally the cheapest; that prompt action on undermargined collateral loans is, in the long run, generally the kindest, and that banks, while they should be advisers and friends of their borrowers, must never be their partners. We learned that savings accounts are, in time of stress, if anything more volatile than demand deposits. We learned all over again the age-old lesson of the necessity of diversification, that a bank too completely committed to one community, or one industry could not long survive the depression of that community or that industry. We learned, and I believe this lesson is particularly important to us now, that only basic values will stand the test of adversity, that the man whose worth is built on equities can be wiped out, but that the man whose worth is built on fundamental values: unencumbered real estate, first mortgages, bonds, unpledged high-grade securities, while his market values may shrink, will always have something.

On the constructive side, we learned from the finance companies, somewhat to our chagrin, of the fundamental soundness of consumer credit, and from the building and loan associations of the fundamental soundness of the amortized home loan mortgage. To the best of my recollection, all through this period of disaster to banks, no major sales finance company, or personal loan company was forced to the wall. In the hundreds of banks whose assets were submitted to the Reconstruction Finance Corporation for loan purposes, almost invariably, with the single exception of government bonds, their home mortgages commanded the highest loan value, and in the few cases where those mortgages were on an amortized basis, they commanded the highest value of the mortgage classification.

Finally, we learned that ultimate solvency and immediate liquidity were two different things and that there must be some means of affording liquidity to those bank assets which, while intrinsically sound, could not be sold in the open market or rediscounted with the Federal Reserve. Something has been done about this. Indeed, a good many tangible steps have been taken to insure that the conditions of 1932 and 1933 will not be repeated. Some of these steps are legislative and some regulatory. Federal Deposit Insurance has eliminated the likelihood of unjustified alarm on the part of small depositors. Through Section 10B of the Federal Reserve Act, through the Federal National Mortgage Association, through the establishment of more or less broad markets for real estate loans, new convertibility has been afforded bank assets. Investment in securities has been confined by law and regulation to high-grade bonds, and dealing in securities, other than government and certain classes of municipals, has been prohibited. Investment in affiliates has been strictly regulated. The law has done what it can to improve the standards of bank ethics and practice, but far beyond what can ever be accomplished by legislation, the banking profession itself has emerged from the depression with a new concept of its responsibilities; with a new concept of liquidity; and with a new concept of the proper ratios of loans to deposits and capital funds. We had always known that our responsibility and purpose in life was threefold: to preserve the integrity of our depositors' funds; to promote the financial well-being of our community by the judicious extension of credit; and to pay a decent return to our stockholders, but perhaps it took the great depression to place those responsibilities in their proper order.

All this was nearly 20 years ago. During those 20 years, in spite of wars and rumors of wars, we have enjoyed unprecedented prosperity. Our deposits have grown by leaps and bounds. It is true that much of this prosperity and much of the deposit growth has been on borrowed money, on government deficit spending. This is, perhaps, neither the time nor the place to discuss the ultimate soundness of the rise in our standard of living during the Roosevelt and Truman eras. I have no desire to introduce politics into this talk beyond the extent to which politics is a necessary part of economics. What we are concerned with is the effect of this 20-year period upon our bank picture today and in the discernible future. During that period our deposits have grown far beyond the ability of our capital funds to keep pace from accumulated earnings, or, in most cases, from new capital issues. The old 10-to-1 ratio of deposits to capital funds has perforce gone into the discard and been supplanted by new ratios of risk assets to capital funds or other more complicated systems primarily designed to rationalize our necessities. This tendency to rationalize necessities is a human one and has crept into all of our thinking; term loans to replace the traditional short-term bank credit when loan demand was at a low ebb; a gradual relaxation of terms on home mortgage lending and consumer credit in times of keen competition. These are only two illustrations. To the extent that these relaxations have been dictated by pressure for earnings rather than by sound credit considerations, they constitute an element of weakness in our philosophy of bank management.

Similarity to Present Conditions

As I have previously remarked, today's conditions have certain points of similarity to those of 1929-30-31. I do not predict, nor do I believe that we are on the ever of a great depression, but there are enough disturbing elements present to make it, in my opinion, worth while to review our present situation and assess our ability to meet whatever problems the future is likely to bring. We must depend primarily on ourselves. The ability of the Federal Government, which is, in essence, your ability and mine, and that of some 150 million other Americans, to pull ourselves out of a hole, has been weakened by the addition of some $250 billion to the national debt. Taxation is already at an all peace time high and has, in my opinion, reached the highest rates that the people of this country will stand. We cannot count on massive government assistance to resolves our difficulties. Our banking system as a whole is much stronger in asset composition, much more liquid, both immediately and ultimately, than it was in 1929. Short-term governments, bills, certificates, notes and shorter bonds form an impressive part of the average bank's assets. Real estate loans have been afforded a degree of liquidity through the creation of mortgage markets and through the Federal National Mofrtgage Association. Section 10B of the Federal Reserve Act has authorized the Federal Reserve banks to loan on any sound bank asset and, of course, the facilities of the Reconstruction Finance Corporation are still available. I believe that we are, in general, much better informed as to the trend of conditions, local, national and international. In addition, Deposit Insurance has reduced the probability of withdrawal due to fear. All in all, we are immeasurably better equipped to meet even the conditions of 1932 and 1933 than we were then, and those conditions are much less likely to recur.

Satisfaction with our position, however, should not cause us to become smug to the point of not realizing that it may be tested and that our fences should be mended wherever they show signs of weakness. Now is the time to make sure that our own house is in perfect order; that we are equipped to meet our own problems before we attempt to solve those of our neighbors and of the country at large. This, frankly, means nothing more than intensification of those procedures which should be standard in any well-managed bank. Loan portfolios are, or should be under constant review, but that review may well take a slightly different approach at this time; an approach predicated, perhaps, on the question: "Is this credit likely to become marginal in a buyers' market?" This will automatically direct attention to inventories. We must remember that in a sellers' or in-

flationary market, inventory moves rapidly. Increasing prices tend to increase profits, and increase working capital in the hands of the business. Inventories are liquid and can rapidly be converted into cash at or above their book values. Credit standing and borrowing capacity tend to improve. In a buyers' market the reverse is true. The velocity of money and deposits tends to decrease; the movement of inventories become sluggish; inventory profits are converted into inventory losses; working capital tends to decline and ability to augment working capital through bank credit is decreased. We have, in many lines, obviously reached the end of the sellers' market and we must now apply the analysis of the buyers' market to determine which credits are likely to become, if they are not already, marginal, and take such steps as may be indicated to strengthen, or eliminate those credits before the situation becomes acute. There is a human tendency among merchants—some merchants—to temporize with situations of this type, to hold on to overpriced inventory in the vague hope that something may happen to enable them to avoid the loss entailed in its prompt disposal. It is safe to say that in 99 cases out of 100 the promptly realized and accepted loss is the cheapest. There is ordinarily a far greater chance of making up that loss with new and fresh merchandise purchased at the prevailing market prices than there is in the desperate attempt to realize a profit out of overpriced goods that are constantly growing older and staler. Where such a situation exists, a bank should not, in my opinion, hesitate to exert whatever pressure is necessary in the borrower's interest as well as in its own.

Another common problem is that of reducing overhead expenditures promptly to correspond with reduced volume. In the days of a sellers' market, operating base is naturally increased to meet rising volume. That is generally done happily and enthusiastically. When the tide turns, there is neither the happiness nor the enthusiasm for prompt contraction. Here again, the bank, in the borrower's interest and its own, can exert great influence. Any reasonably adequate analysis of profit and loss figures will show up disproportionate overhead expenditures as rising percentages, both of sales and of gross profits. The bank should not hesitate to call this to the attention of management and insist, if necessary, that they be brought into line.

The so-called term loan, or loan that depends for its repayment on earnings rather than on conversion of assets into cash, will perhaps produce our most difficult problem in the event of depressed conditions and the maintenance of present tax rates. It may well become difficult, if not impossible, for many borrowers to meet scheduled payments out of reduced profits after payment of taxes. A bank must face this situation realistically. Wherever possible, such loans should be refinanced with outside investment capital either in the form of additional venture capital or long-term obligations which will not diminish an already strained working capital position. Where this is not possible, additional security may be available, or it may be possible to reduce the loan by the disposal of fixed or other assets not needed to handle a reduced volume of business. The business situation today is aggravated by the fact that the costs of doing business are still slowly rising and that one of the principal elements of that cost, wages, is largely frozen. If allowed free play, the law of supply and demand will

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Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Can Wider Financing of Signal Equipment Reduce Costs to Railroads?—By Lancaster M. Greene—reprinted from the Analysts Journal—copies may be obtained from Lancaster & Norvin Greene, 30 Broad Street, New York 4, N. Y.

Electric Utilities—Study with extensive data on 84 companies—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, New York.

Financial Survey—Weekly bulletin—Stern, Frank, Meyer & Fox., Union Bank Building, Los Angeles 14, Calif.

The Inside Story of Outside Help—Descriptive booklet describing the services offered by Ebasco Services—Write Dept. U, Ebasco Services, Inc., 2 Rector Street, New York 6, N. Y.

Life Insurance Company Stocks — Brochure with particular reference to **Aetna Life Insurance Company, Connecticut General Life Insurance Company, Continental Assurance Company, Jefferson Standard Life Insurance Company, Lincoln National Life Insurance Company, Monumental Life Insurance Company** and **Travelers Insurance Company**—First Boston Corporation, 100 Broadway, New York 5, N. Y. Also available is a brochure on **Selected Industrial Bonds.**

New York City Bank Stocks—Ten-year survey of 17 New York City Bank Stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

New York State Electric & Gas—Booklet containing 10-year statistics—New York State Electric & Gas Corporation, Binghamton, N. Y.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

Railroad Earnings—Brief review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Tokyo Stock Quotations — Bulletin — Nomura Securities Co., Ltd., 1-1 Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan.

Utility Stock Analyzer—Bulletin—Geyer & Co., Incorporated, 63 Wall Street, New York 5, N. Y.

Value Line Survey—Special offer to new subscribers of one month's trial subscription for $5 including specific estimates of 1952 and 1953 earnings, dividends and normal price expectancy of each of 200 major stocks, plus an analysis of the longer term outlook for earnings.—Value Line Investment Survey, 5 East 44 Street, New York 17, N. Y.

Value Selections for June—Bulletin—Newburger & Co., 1342 Walnut Street, Philadelphia 7, Pa.

Watching Service—For dealers—write Mr. Milton Lewis, Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is an analysis of **New England Public Service Co.**

* * *

American Hawaiian Steamship Company—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

American Thermos Bottle Company—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y. Also available is an analysis of **Art Metal Construction Company** and brief notes on **Denver & Rio Grande** and **Lehigh Valley.**

Atomic Instrument Company—Study—Chace, Whiteside, West & Winslow, Inc., 24 Federal Street, Boston 10, Mass.

Baker-Raulang Co. — Memorandum — Laird & Co., Nemours Bldg., Wilmington 99, Del.

Bankers Securities Corporation — Analysis — Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Brown Company—Analysis—L. S. Jackson & Co., Ltd., 132 St. James Street, West, Montreal, Que., Canada.

California Pacific Utilities Company—Special research report—First California Company, 300 Montgomery Street, San Francisco 20, Calif.

Circle Wire & Cable Corp.—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Congoleum Nairn—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y. Also available is a memorandum on **Towmotor.**

Florida Power & Light Company—1951 annual report—General Offices, Florida Power & Light Company, P. O. Box 3100, Miami, Fla.

General American Transportation Corp.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

W. R. Grace & Company—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Great Western Petroleum Co.—Offering circular—Steele & Co., 52 Wall Street, New York 5, N. Y.

Hoffman Radio—Circular—Raymond & Co., 148 State Street, Boston 9, Mass.

Lake City Sewer District (Metropolitan Seattle-King County) 4% Revenue Bonds—Brochure—Grande & Co., Incorporated, Hoge Building, Seattle 4, Wash.

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Implications of Niagara Power Controversy

By EARLE J. MACHOLD*
President, Niagara Mohawk Power Corporation

Pointing out Treaty of 1950 with Canada, permitting diversion of water above Niagara Falls, has resulted in dispute regarding whether its power development be carried out by government or by private enterprise, Mr. Machold contends if Federally operated, it threatens broad encroachment upon privately owned utility industry. Points out only use of water will be for power, and therefore it cannot be operated as adjunct of flood control as TVA. Denies public operation will mean cheaper power, and says five leading New York electric companies are able and ready to develop and distribute this potential electric supply.

The progress which is capable of achievement under our private enterprise system finds no better exemplification than in the history of the industry we represent. We need not go back much further than the turn of the century to find the beginning of our era of electric light and power. Yet, in that infinitesimally short period of the history of human accomplishment, the product we make and sell has become a vital force in our continued national development, our economy, our standard of living, and in practically every aspect of our daily activity. Indeed, the development of our modern civilization has been geared substantially to the progress made in the art of generating and transmitting electricity. For this progress, modern civilization is indebted, first, to those members of our industry whose genius, vision and personal incentive for accomplishment made it possible; and second, to those individual men and women of America who, having faith and hope in the continuance of our way of life, to which the private enterprise system is basic, supplied the indispensable risk capital.


Earle J. Machold

We of Niagara Mohawk Power Corp., operating in upstate and western New York, are especially proud of the accomplishments of our predecessors who pioneered at Niagara Falls. You are all familiar with those accomplishments. They demonstrated the feasibility of large-scale hydro-electric development and of long-distance transmission. Our Adams Station, built in 1895 on the Niagara River above the Falls, was the world's first major hydro-electric development, and with the introduction there of alternating current, power was transmitted from the Falls to Buffalo over the then unheard of distance of 20 miles.

Today, Niagara Falls is again the scene of developments of tremendous significance to our industry and its investors and employees. However, unlike the historic developments which heralded a bright new era of electric light and power, the present situation is fraught with the most ominous threats yet made to our industry and to the private enterprise system which it so well typifies.

Threat of Government Electric Power Development

I take this occasion to demonstrate to you that if the over-all hydro-electric development of the Niagara River by the government can be justified, then the extent of future public electric power expansion is limited only by the desires and ambitions of the public power advocates and the tax-paying capability of the citizens of the nation.

You are all, I am sure, at least generally familiar with the Niagara Falls controversy now pending before the Congress. That controversy followed the ratification of a Treaty in 1950 between the United States and Canada permitting the diversion, above the Falls on the American side, of all of the water in excess of that necessary to preserve the scenic spectacle. This additional diversion will develop net additional generating capacity of 1,132,000 kilowatts. Up to now, utilizing the limited quantity of water made available under earlier international agreements, the Niagara Mohawk Power Corporation System constructed and has operated the only American development at the Falls—its Adams Station with an installed capacity of 80,000 kilowatts, and its Schoellkopf Station with an installed capacity of 365,000 kilowatts. Beginning in 1947, in anticipation of the 1950 Treaty, joint studies were undertaken by engineers of the Federal Power Commission, the Power Authority of the State of New York and Niagara Mohawk Power Corporation which culminated in a three-stage plan of overall development to produce the additional capacity I have indicated.

Except for minor differences, the plan is one which our System has had on file with the Federal Power Commission and has sought to develop for over 30 years. For over 50 years our engineers have engaged in careful, detailed studies of the waters of the Niagara River with a view towards making available the greatest amount of power consistent with the preservation of the scenic beauty of the Falls, which, of course, has been a prime consideration of all concerned. Our studies included the construction of a model of the River and the Falls reproducing the precise effects of various degrees of diversion. In short, we have long since satisfied ourselves as to the best plan of development, and now it has been confirmed by both the Federal and State authorities.

Upon ratification of the 1950 Treaty, the application we had in readiness for the issuance of a license by the Federal Power Commission could not be filed since the action of the Senate, in ratifying the Treaty, expressely reserved for determination by the Congress the question as to who shall utilize for power purposes the additional waters made available under the Treaty. As you know, three sets of bills are pending before the Congress. Each authorizes construction of the same plan of overall development, which would cost about $350,000,000. Under the Lehman-Roosevelt bill, the Federal Government would construct the overall development with provisions for the later transfer of the project to the Power Authority of the State of New York under conditions which the State has already rejected. Under this bill, the project would be constructed with Federal funds derived from the tax revenues paid by the taxpayers of the nation. Under the Ives-Cole Bill, the State of New York, through its Power Authority, would finance, construct and operate the project. Under the Capehart-Miller Bill, the project would be constructed with private capital by private enterprise without one penny of expense to taxpayers, Federal or State. Private enterprise would be represented by five New York State utility companies who would pool their resources for this purpose. These companies are Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation and Rochester Gas & Electric Corporation.

Hearings were held in August and September, 1951, on these bills before the Senate and House Committees on Public Works but neither Committee has taken any action.

What Will Happen If Government Takes Over

If the public power advocates prevail, the government, of course, will develop the huge undeveloped power potential of the Falls. You may ask, "But why is this of greater importance to the public power program and more threatening to our privately owned utilities than the government projects completed and proposed in other areas of the country? Why," you may ask, "is this not another already familiar manifestation of the expanding public power program?" In brief substance, the answer is that the proposal for government development of the Niagara River constitutes the greatest and boldest step yet undertaken by Federal public power advocates because they must concede the utter absence of any of the traditional functions of government in the project. They concede that a government power project at Niagara Falls would not be a by-product of any recognized government activity. They concede that the Niagara Falls project has no relation to any hitherto recognized public service or to any other public project, actual or contemplated. They must concede that 100% of the cost of construction and operation would be charged to power. A government project at Niagara Falls would place government directly in the power business, subjecting the privately owned utilities within transmission distance to competition of a most unfair and most destructive nature.

Let us analyze the accuracy of these conclusions. The required diversion of the waters of the river will take place a very short distance above the cataract. The waters will be returned to the river a very short distance below the cataract. The length of the tunnels from the point of diversion above the Falls to the power plant at the lower rapids will approximate five miles. Obviously the construction of a dam or other structure in the river is not involved. Obviously, not one penny of the hundreds of millions of dollars of cost involved in diverting and utilizing the water for power purposes can be said to be devoted to the improvement of navigation. There are not and never have been in the area in question the remotest considerations of flood control. As you know, if you have visited the Falls, State Park development lines the bank in the immediate vicinity of the scenic spectacle. Beyond that there exists one of the most intense concentrations of industrial development in the nation, located between the river and the heavily industrialized City of Buffalo, some 20 miles away. Areas of this nature are hardly to be identified with irrigation, reclamation, sanitation or flood control projects.

We are often asked whether the Niagara project is in any way related to the proposed St. Lawrence Seaway and Power project. There is absolutely no relationship whatever. The proposed site of the St. Lawrence project is well over 200 miles from Niagara Falls, far to the north and east of the Niagara development. The waters of the Niagara River which will be diverted will be returned to the Niagara River before it flows into Lake Ontario. From a physical, operating, engineering, or any other point of view, there is and can be no relationship between the two projects. Nor is there any other Federal project, on the Niagara River, or on any other body of water, or anywhere else, which can be said to have any connection whatever with the proposed overall development of the Niagara River.

It takes no extended argument to demonstrate that a government project at Niagara Falls would be a single-purpose project—and that purpose, the generation and sale of electric power. The nature of the area and of the river, the nature of the enterprises and of the industrial development located there, and the nature of the hydroelectric development which all interests agree upon as the most desirable, make the conclusion inescapable that a government project at Niagara Falls would place government purely and simply in the power business. We have examined most carefully all of the statements and claims of the public power advocates, both before the Congressional Committees and elsewhere, but we have failed to find even an attempt to justify government development at Niagara Falls as an incident of a government function heretofore relied upon as justifying such developments by the government.

For these reasons alone, it is clear that the Niagara Falls controversy represents a threatened new, broad encroachment upon the privately owned utility industry. Heretofore, the multiple-purpose aspects of government projects have afforded for us a second line of defense to which we have been required to retreat during the past 20 years under the relentless pressures and attacks of public power advocates. This line of defense—or of demarcation between private and public power has frequently become vague and nebulous, especially with increasing publicly-owned steam capacity. We have, nevertheless, tried to believe the assertions of the public power advocates seeking to justify governmental development, that multiple-purpose projects mark not only the constitutional limits of public power, but the limits of the desires and ambitions of public power sponsors.

While I have referred to multiple-purpose projects as having constituted for us a second line of defense, we should all be keenly aware that there is no third line of defense. If the government can develop Niagara, the territory of every one of the companies represented here, regardless of the nature of the territory or of the public service your company is rendering, and no matter how many thousands of miles removed you may be from New York State, is susceptible of public power development.

The Five-Company Project

From that point of view and for purposes of comparison with your own territory and service, let us analyze the territory and the electric service of our group of five companies in the State of New York. As you know, government

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*An address by Mr. Machold before the 20th Annual Convention of the Edison Electric Institute, Cleveland, Ohio, June 3, 1952.

The Current Switch to Power and Light Shares

By IRA U. COBLEIGH

Author of "Expanding Your Income"

Throwing some light on the renewed popularity of electric utility equities, and offering some plausible reason for same.

Thorstein Veblen in his brilliant, off-beat economic treatise "The Theory of the Leisure Class" says that "while men are reluctant to retrench their expenditures in any direction, they are more reluctant to retrench in some directions than in others." He couldn't have provided a better text for those analysts among us, who have, in recent months, been counseling purchase of utility commons as defensive investments. For you see, the record shows that certainly, so far as household electric expenditure is concerned, people retrench most reluctantly. In 1932, a dreary year in anybody's book, while general business fell off 50%, electric operating revenues dipped only 13%. Not only do people continue electric service, but they pay their bills! A doctor can't ethically refuse to call on a chronic dead-beat patient, but an electric company has almost a perfect pay "persuader" in the threat of total darkness, and that vicious cultural roadblock — a blacked out Godfrey on TV!

Ira U. Cobleigh

But the idea of considering utility shares primarily as a sort of investment cyclone cellar, simply because demand remains, and credit losses are tiny is too "Maginot" a concept to be entirely acceptable. Utilities are essentially dynamic not static. They grow in four ways — by population increase, by production requirements for peace and war, commercial expansion, and by the fantastic demand for rural and residential lighting, and a myriad of electric appliances.

Our increase in the last decade to a population of 156 million requires no special comment, except to suggest that in those areas of the U. S. where population has grown fastest, the utilities have done the same. Long Island, Florida, Texas and the Gulf South, California and the North West—these are the sections where utilities have displayed the most impressive forward motion.

The vital part of electric power in every type of industrial production is universally appreciated. Less realized is the fact that while operating at a war time peak, the industry, between 1942 and 1945, added practically no generating equipment. Thus, in 1946 both by depreciation of old plants, and normal growth-curve demand for new ones, the industry launched its largest construction program in history, calculated to add 77% to generating capacity in the period from 1945 through 1953. In the six years 1945-1951 50% was actually added to national kilowatt production, and $13 billion was spent for it—with the fabulous flotation of utility bonds, preferreds and commons, with which we are all familiar. Industrial revenues are the most cyclical of the electric business, and today account for some 29% of gross.

Commercial electric sales, which you note especially on theater marquees, in department store windows, blinking neon signs, and checkerboards of light in office buildings after dark—these comprised in 1950, 26% of electric revenues; and they're growing of course.

Farm and residential current revenues are probably around 40% of industry totals, the percentage differing, of course, with each individual company—much larger with, say, Long Island Lighting, and much lower with Montana Power. Probably no customers in any large scale business have been better treated, price-wise, than these domestic electric buyers. A residential kilowatt hour that cost 6.33 cents in 1929 was only 2.88 cents in 1950. While nearly everything else was going up 100 to 200%, juice went down; and the customer showed his gratitude by lacing his home with electric toasters, ironers, washers, egg beaters, sun lamps, television sets, fans and electric blankets — and, in addition, he kept more and brighter lights burning longer than ever. To do all this in 1951, Joe Householder, instead of buying 502 KW, as he did in 1929, bought 2004! Ah yes, there's good juice tonight!

From the investor point of view many citizens of the 1929-32 era who got an awfully bumpy ride (down that is!) on Middle West, Associated Gas, Electric Bond & Share, and Insull Utility Investments common shares, took the pledge so far as utilities were concerned; having, with a modicum of ignorance, confused holding companies (which proved to be sandy pyramids) with operating companies which were, and are, the Rock of Gilbraltar. No large scale industry has equalled the operating electric utilities in point of continued earning power, sustained dividends, uninterrupted growth, and insulation against depression, in the last three score years.

Well, to paraphrase an old gag, what have they been doing for us lately? Just because they've been solid in the past why should they claim our affection today? Well, there are some good reasons. First, they have a very low labor factor. Roughly 20% of gross goes to salary and wage. So if labor costs soar they can't dent earnings as badly as in the case of a railroad, where 50% of gross is the labor take. Utility commons are good dividend payers. Seventy-five percent of net, on the average, is mailed to shareholders. They've brought rates down, made friends, and in many cases, stockholders, out of their customers. They're virtually exempt from Excess Profit Tax. Usually allowed (by State Public Service Commissions) to earn 6% on fair valuation, by and large, they averaged only about 5.2% in 1951. (They've got to go over 6% to get hit with E.P.T.) Many utilities are getting better cost control on power production by convertible fuel burners. Some stations, by not too great an adjustment, can burn coal, oil or natural gas to generate power. They can thus buy, and operate on, the cheapest currently-priced fuel. Further, Federal political seizure of a utility on a labor gimmick, seems unlikely, as State Commissions have by law jurisdiction over same and regulated net earnings of utilities are never so fat as to be a "sitting duck" for extravagant labor demands. Elimination of the 3½% Electric Energy tax last Fall is also a factor for increased net.

So, in the past few hundred words, we've moved a long way. Accepting the basic idea that utilities have solid defense values in soggy markets, we find that some have grown, and are growing rapidly, that they've had a whale of a dividend record, that, in fact, utility commons as a class, might perhaps even perform better, in the next 12 months, than the average run-of-the-mine industrial department store, steel, or tobacco shares. Just to get specific why not look over the accompanying list of electric equities selected for quality, yield, growth or territory—or combinations of same.

For details on the issues shown in the tabulation and dozens of other fine commons, I refer you to the manuals, and some of excellent utility studies recently issued by a number of exchange houses. They'll give you the facts without which intelligent selective judgment is impossible. I would also like to present brief but incomplete comment on three of those given in the table.

Houston, Texas, ranks among the fastest growing big cities in America, and common shareholders in its private power enterprise, Houston Lighting and Power, will get real mad at you if you call their's a "defensive investment." Operating revenues, from 1940 through 1950, advanced from $13 million to over $34 million and the gross property account from $57 million to $142½ million in the same period. Stockholders, in addition to regular cash dividends, have been rewarded by a 2 for 1 split in 1947 and a 3 for 1 split in 1951. They will shortly be given subscription rights to purchase what looks like a fine financing vehicle—a debenture with a convertible body. Instead of being defensive, Houston has grown like a chemical.

Florida Power, a smaller and more sprawling juice dispenser, serves, with its subsidiary Georgia Power and Light, a population of some 950,000 in southern Georgia and northern and central Florida. Residential sales are 37% of gross, and expanding with the rapidly growing population. Territory and potential growth are the long-term factors here—with fair dividend coverage, and above-average yield meanwhile.

Dayton Power and Light is a finely balanced company deriving 68% of its gross from electric sales in a population area of 850,000. Common stock was split 4¼ for 1 in 1946 and since then, the company gross revenues have doubled. The preferred stock is reported to have been selected and bought for savings bank investment in New York State.

Lest it be thought from the foregoing that utilities are all clover, bear in mind that they, too, have the problems of rising operating costs and taxes. Some utilities, like some industrials, display the present phenomenon of higher gross and lower net. In their favor, however, are the constantly increasing power demands, and the sympathetic viewpoint of Public Service Commissions toward rate increases. It may well be that we have seen the low in kilowatt hour home rates, but current buyers, so well treated, in the past, should be quite reasonable in acceptance of the somewhat higher billings, cost factors may necessitate.

Thus, not only as a market defense tactic, but encouraged by the long-term upward trend in earnings and dividends, portfolio managers, and perceptive investors may find good logic in shopping for, and switching to, electric equities.

ISSUE—	Price	Dividend	Yield	12 Months Earnings to 4-1-52
Atlantic City Electric	25½	1.37½	5.4	1.68
Commonwealth Edison	32	1.80	5.6	2.03
Dayton Power & Light	35	2.00	5.7	2.74
Florida Power	20	1.20	6.0	1.46
Houston Lighting & Power	22	1.05	4.7	1.49
Long Island Lighting	16	.90	5.6	1.28
Pacific Power & Light	18	1.10	6.1	1.50
Portland General Electric	28	1.80	6.4	2.80
Tampa Electric	39	2.40	6.1	3.03

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Can We Do Business With Stalin?

indicated possibility of an American passport-carrier being clamped into jail. Or how about the backdrop of the germ warfare calumny behind the pious trade goodwill pleas?

In many instances it is, of course, intelligent to take a calculated risk. But surely this does not include a case, as betting on trade-appeasement where the correct odds on the basis of past performance are 100-to-1 against one, where even the fruits of a successful outcome are dubious, and the probable failure would help the shooting-off of our boys' heads.

Another article dealing with East-West trade will follow next week.

William R. Staats Co. Acquires H. I. Lee Co.

SAN JOSE, Calif.—William R. Staats & Co., members of the New York Stock Exchange and other leading exchanges, announces the acquisition of H. Irving Lee & Co. and the opening of offices in the First National Bank Building. The entire staff of H. Irving Lee & Co. will continue with William R. Staats & Co., including H. Irving Lee, V. Mac Taylor, Richard H. Anderson, Bernard Casebolt, F. Ned Scofield, Donald J. Meyer, Harry W. Boogaert, and Joseph E. Larzelere.

J. Frank Graham

J. Frank Graham, partner in James E. Bennett & Co., New York City, passed away June 4 at the age of 49 following a heart attack.

Public Utility Securities

By OWEN ELY

Electric Utilities Financing Program

In 1951 the electric utility companies made a somewhat disappointing showing with average share earnings down about 6-7%. This was due mainly to the impact of higher taxes, plus lags in obtaining offsetting rate increases and delays in installing much needed generating units (the average delay has been estimated around 24 months).

However, the utilities evidently turned the corner in November, as indicated in the following increases in net income of all Class A and B electric utilities, over the corresponding months of 1950:

November, 1951	8.5%
December	18.8
January, 1952	14.2
February	9.6
March	16.5

These gains seem largely due to fuel savings and the continued rapid gain in residential kwh. sales, which in the 12 months ended March 31 were 13% over the previous period. Obviously the use of electricity in the average household has been gaining sharply, since the number of residential customers increased only 4.2%. Unfortunately for the utilities, however, this increased use meant that the householder received the benefit of lower rates under promotional schedules, so that revenues gained only 10.7% despite the 13% gain in sale of electricity.

There was another favorable factor which helped to account for the turn-around in net income—a more plentiful water supply for hydro plants. Southern Company and South Carolina Electric & Gas had previously suffered from low water supply for about a year and a half, but obtained increased rainfall beginning late last fall, and both have enjoyed sharp recoveries in earnings. All hydro plants in the U. S. produced 10.6% more kwh. in April this year than last year, although there were comparatively few new hydro units, most of the increase in capacity being in steam units.

Out on the Pacific Coast there has also been an improved water supply, benefiting Pacific Gas & Electric, Southern California Edison and California Electric Power. In the Pacific northwest the situation also improved following the dry spell of last year, when Washington authorities considered moving some of the aluminum plants out of that area because of the shortage of hydro power. The "Water Resources Review," published by the Geological Survey, reports that in May the "run-off" was normal in the southeast and New England, and excessive throughout most of the west—the principal hydro areas.

Last year there were a considerable number of dividend increases by the electric utilities and there have been several more recently. Average dividend payout was on the low side a year or two ago, and the utilities have found that a more liberal policy was desirable in order to stimulate the sale of large amounts of stock which had to be sold to finance the enormous construction program. In 1951 the electric utilities sold about $333 million common stock, and the gas utilities $100 million. In the first five months of 1952 the electric utilities have done $191 million and the gas utilities $42 million of equity financing, so that they are off to a good start on this year's program. Moreover, before the summer holidays slow the tempo there will be several important new offerings — Public Service Electric & Gas, Southern Company and the big offering of Pacific Gas & Electric which will approximate $68 million.

A large proportion of the new stock issues are sold through subscription offerings, giving rights to stockholders. A new development of recent years is the privilege of over-subscription, subject to allotment. Where the latter device is used the underwriting syndicate usually doesn't have to make any sales effort—merely to "stand by" as insurance against a general market upset. Where the over-subscription device is not employed it may be necessary for the underwriting syndicate to "lay off" stock, i.e., make direct sales to the public at times when market conditions seem favorable.

One result of the construction program is that the utilities will benefit tax-wise by "accelerated amortization." This means that a large percentage of the cost of certain new construction can be written off in five years, instead of the usual 30 or 40, for tax purposes. The resulting tax savings will be included in earnings, although regular depreciation (not the accelerated amount) will be reported, so that net earnings will increase. Some companies are reluctant to include these artificial profits in share earnings, and if permitted to do so may set up items such as the "charge in lieu of tax savings" which appeared during World War II. Some companies, however, are willing to include the earnings, on the theory that this will help them over the period of heavy financing and high taxes. While the maximum effects of the program may not be felt for another year or so, analysts and investors should remain alert to new factor.

How long will the new construction program, with its resulting heavy equity financing, have to last? It will probably taper off in 1955, unless the defense program is stepped up. By that time the utilities should have more than doubled the capacity they had during World War II, to around 102 million kwh. The increase will probably be considerably greater than indicated by the figures since most of the new capacity is rated by "name-plate," whereas with hydrogen cooling and other new devices output of new units can frequently exceed name-plate rating by 20%.

Can the utilities use this huge amount of capacity, even if the defense program should eventually slow down, with a resulting industrial readjustment? One answer is that they have a great deal of obsolete generating plant which can be scrapped when reserves are more adequate. New units only burn half as much fuel as some of the old units, and further progress is being made each year. Moreover, there are big new outlets for electricity such as the heat pump and other new methods of house-heating, the possibilities of which the utilities aren't anxious to tackle until they have larger reserves. New mining and industrial processes make increasing use of electricity, and the stepped-up atomic program is a huge consumer of power.

What is the future of atomic power? There has been endless speculation, but experts seem to feel that for the present at least atomic-generated power can only be a by-product of the defense effort, and that the utilities won't find it very economical except perhaps in isolated areas where coal is very expensive. There is no fear, therefore, that the economy of the electric utilities will be upset overnight by "cheap" atomic power.

Nobbe & Gally Form Management Firm

LOUISVILLE, Ky.—Donald M. Gally and Edward O. Nobbe have formed a new firm specializing in investment management, with offices at 231 South Fifth Street. Mr. Gally was formerly an officer of A. G. Becker & Co. of Chicago and a former Vice-President of the Central Trust Company of Cincinnati.

Donald M. Gally

Mr. Nobbe has conducted his own investment management firm in Louisville since 1931.

Singer, Deane Opens New York Branch

Singer, Deane & Scribner, Pittsburgh investment firm, announce the opening of a New York branch office at 111 Broadway under the management of C. Russell MacGregor. A Naval veteran of both World Wars, Mr. MacGregor was formerly associated with Wood, Low & Company, Clark, Dodge & Co., and was a general partner with Auchincloss, Parker & Redpath from 1936 to 1942. He was President of the Unexcelled Chemical Corporation from 1944 to 1948, and has since acted independently as a member of the National Association of Security Dealers.

Members of the New York and Pittsburgh Stock Exchanges, Singer, Deane & Scribner was founded in 1921 when it was primarily engaged in unlisted securities and the Pennsylvania municipal business. Since that time, the firm has absorbed four former New York Stock Exchange firms and maintains a second branch office in Cleveland, Ohio.

Associate members of the New York Curb Exchange and a member of Bache & Company's private wire system, the firm's nine partners are J. M. Scribner, C. N. Fisher, G. S. Ewing, G. A. Hufnagel, C. H. Patton, R. V. Nuttall, W. B. McConnel, Jr., F. M. Ponical, Jr. and G. Harton Singer, Jr.

American Securities Promotes Two

William Rosenwald, Chairman of American Securities Corporation, 25 Broad Street, New York City, announces the appointment as assistant Vice-Presidents of Elias M. Black, manager of the business and industry department, and H. Theodore Freeland, manager of the trading department.

Stanley Heller Co. Silver Anniversary

Stanley Heller & Co., 30 Pine Street, New York City, members of the New York Stock Exchange, tomorrow is celebrating the 25th anniversary of its founding on June 13, 1927.

Chicago Analysts to Hear

CHICAGO, Ill.—J. Paul Smith, President of the Visking Corporation, will be the speaker at the luncheon meeting of the Investment Analysts Club of Chicago to be held today (June 12) at the Georgian Room of Carson Pirie Scott & Company.

With W. H. Dick Co.

(Special to THE FINANCIAL CHRONICLE)

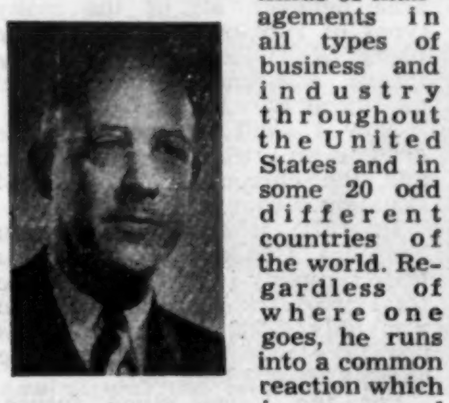
ALEXANDRIA, La. — Lloyd A. Goodin has become affiliated with W. H. Dick & Co., Hotel Bentley.

Good Management in the Electric Utility Industry

By LAWRENCE A. APPLEY*
President, American Management Association

Stressing importance of management as indicated by the Edison Electric Institute Coffin Award, Mr. Appley cites as fundamental questions: (1) does management follow principle that utilities must have incentive for progress equal to that in other industries; (2) do utilities recognize that profits should come from reduced costs and improved product; (3) are they aware that utilities must compete; (4) are they conscious that good management can enlarge their market; and (5) is management adequately compensated. Lays down comprehensive good-management program.

It has been my privilege over the last quarter of a century to be active in and to have close contacts with many different kinds of managements in all types of business and industry throughout the United States and in some 20 odd different countries of the world. Regardless of where one goes, he runs into a common reaction which is expressed something like this: "Our type of business is different from any other. This part of the country is different. The kinds of people and markets with which we deal are different. Our problems and the conditions under which we have to operate are unlike those of any other business or industry."



Lawrence A. Appley

I would be less than frank if I did not say that this kind of reaction does not stand up. There is no question but what there are differences in products and services. There are differences in methods and differences in degree of effectiveness but basically, the problems and needs of management are the same wherever you find them.

There are basic principles, skills, and tools of management which are common to any kind of management and to any geographical location. This is true within a company as well as between companies. You find, however, this reaction of "difference" within companies. Company divisions or subsidiaries on the Pacific Coast claim to be quite unique as compared with those it the Middle West or the East and when you get to the Pacific Coast, there are those in Northern California who claim that they are quite unique compared with Southern California, as well as with Portland and Seattle.

It would seem that this should be one of the great lessons of World War II. Managements were operating in types of businesses they had never dreamed of being in and in areas about which they knew nothing—and yet, they were successful. Automobile companies manufactured airplanes and tanks; refrigeration companies manufactured machine guns; soft drink concerns loaded ammunition bags, etc., etc. There are no basic differences.

Management Needs of the Electric Utility Industry

Well acquainted as I am with many managements and management people in the electric utility industry, I am not a position to determine for that industry what its management needs are. Because the industry as a whole is made up of hundreds of companies, both large and small and running the whole gamut from power operation to excellent and up-to-date direction, it would be virtually impossible for anyone to make an accurate analysis of the needs that exist in the industry, and it certainly would be most unfortunate to generalize.

The best approach, however, might be to present a few illustrations from electric utility companies with which I am acquainted and then to present to the entire industry some fundamental questions which these cases suggest. They will be questions which the individual management of any electric utility company should answer in an effort to determine its own needs for greater management development. First, the cases:

During 1951, one company that comes to mind increased its kilowatthour sales of electricity by more than 20% over 1950. Nearly $30 million of new property and plant were added to the system. 22,000 new customers were acquired. A new safety record was set. There was improvement in the construction and design of facilities and equipment. New records in the efficiency of power generation were established. Through conscious improvement in cost analysis, work simplification, and mechanization, this company assured its customers continued quality service at low cost. It definitely established itself in the mind of the community, the employees, and the industry as a progressive, well-managed concern.

Let me quote a few sentences from the President of another electric utility company: "You have often heard me speak of our competition both from government and from other business. We constantly have to ask ourselves, 'What can we as a company accomplish better than government or some other competitor?' The only real reason our company can justify its existence is because over the long haul, we can render better service at a lower cost. Unless we can render better service cheaper than our competition, we won't survive and what's more, we don't deserve to."

The management of a third well-operated electric utility makes this statement, "There are only two basic ways to meet competition. One is to improve our service; the second to cut our costs. We must continually use both these basic weapons. It is a matter of doing the common things uncommonly well. This may not seem very glamorous but it enables us to render better service cheaper."

Another illustration just recently came to my attention. The particular company to which I refer started wage negotiations in April of this year. During these negotiations, the management arrived at an agreement with the union which recognizes in writing "that the primary objective of the company is to provide better service to its customers at the lowest cost consistent with its obligation to provide fair wages and working conditions for employees and a fair return to its investors." This agreement goes on to spell out the intention of both union and management to work constructively together toward the attainment of sound results in the interests of all the publics involved.

Several cases have come to my attention of electric utility companies that are having difficulty in attracting and holding good management people. While the main reason for men being attracted to, and remaining in, management positions in a company is not compensation, it is a vital factor. There is a minimum of income below which men cannot maintain self respect in their jobs. Because of their positions, they must maintain a certain standard of living.

Regardless of where compensation ranks in relation to the many rewards of executive work, one cannot have good management without paying for it. There is one particular utility company that comes to mind where this is an extremely serious problem. An unusually high number of experienced, key executives are restless and seeking employment elsewhere, and a good number of them have already succeeded in finding it.

The Edison Electric Institute itself (which means its members) recognizes that there are differences in the competency of management within the electric utility industry. I understand that each year you present the Coffin Award to companies which, in the opinion of the Institute, have done outstanding jobs in particular areas of management. In other

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*An address by Mr. Appley before 20th Annual Convention of the Edison Electric Institute, Cleveland, Ohio, June 3, 1952.

The International Materials Conference: A Super Cartel

By JOHN L. COLLYER*

Chairman of the Board and President, The B. F. Goodrich Co.

Stating that U. S. is now participating in inter-governmental commodity cartels that have never been submitted to Congress for ratification, prominent industrialist describes the International Materials Conference as an outstanding example. Terming the IMC a super cartel, Mr. Collyer says actually it is a controlled materials plan on a world scale and its decisions can inflict incalculable damage to the American economy. Contends workings of IMC forced curtailment of domestic automobile production due to lack of copper while other countries are allocated a sufficient supply of the metal to increase their output. Cites failure of attempts to interfere with normal functioning of the free market for rubber, and urges Congress pass pending legislation limiting authority of President to participate in cartels.

There are few if any materials today that do not play some part in International trade.

We know that the market and the price prospects of these materials are affected by many National and International influences.

John L. Collyer

Certain commodities are, as you know, now subject to some form of domestic or International control. Some of these controls have recently been removed. Perhaps there is good reason now why we should seriously consider the elimination of all forms of commodity controls.

It seems to me that the best way to highlight the problems involved is to review briefly the history of one of the major commodities in world trade and then discuss certain actions already taken and others under consideration for trying to solve problems of supply, demand, and price.

I have chosen rubber as the commodity to illustrate my points, first, because it is the commodity with which I am most familiar, and second because of experience with feast or famine in rubber, resulting in a variety of endeavors to interfere with the normal functioning of the free market. Each of these attempts ultimately failed but at least two of them were effective in restricting rubber production with the result that the inefficient as well as the efficient growers enjoyed abnormally high profits on substantially reduced output.

Today, because of an apparent abundance of rubber, governments of certain rubber-growing territories are proposing that another effort be made to guarantee high profits for the growers of rubber and guarantee very high tax collections for the governments concerned. Planners, many of whom are well intentioned, seem to see an opportunity to try to prove that a controlled economy is better for a country and its people than is our kind of competitive economy.

Lessons from History

Perhaps something can be learned from history which will keep us and others from repeating mistakes of the past.

Our nation always has imported its supplies of crude or agricultural rubber. Until 1914, South American and West African wild rubber supplied almost all of our needs, but in the succeeding quarter-century—until World War II—our country's demands for rubber were met almost entirely by the cultivated rubber lands in the Far East.

Through the years there have been violent and disastrous fluctuations in rubber prices — the extremes being $3.15 per pound in 1910, and 2⅝ cents per pound in 1932. The highest prices were reached in 1910 when the automobile was rapidly gaining in popularity.

In 1922, the British Government adopted the Stevenson Scheme restricting the production of crude rubber in Malaya and Ceylon; and the price of crude rubber, which had fallen to 11½ cents a pound, began to climb. By 1925 it had soared to $1.25 per pound.

This was dramatic evidence of the extent to which rubber manufacturers and many millions of consumers of tire and other rubber products were victimized by manipulation of crude rubber.

The Stevenson Restriction cartel, which applied only to British controlled rubber-growing areas, then producing about two-thirds of the world rubber supply, was terminated in 1928 because non-controlled rubber-growing areas had made substantial gains in position at the expense of British controlled areas. The price of crude rubber collapsed and by 1932 was down to 2⅝ cents a pound.

In order to survive, all rubber growers then faced the problem of increasing efficiency and reducing production costs. Considerable progress was made but most growers could not forget the days of assured profits. So the International Rubber Regulation Agreement, sponsored by the British and Dutch Governments, became operative in 1934 and covered areas which produced about 98% of the total world rubber supply.

Under this Agreement, the price fluctuations were not so extreme—the high during the period was about 27 cents a pound in 1937—but the prices were maintained at a high enough level so that the inefficient as well as the efficient producer could make substantial profits, while operating at as low as 65 or 70% of capacity. This cartel was permitted to expire in 1944, when about 90% of the rubber-growing areas were held by the Japanese militarists.

Perhaps the most important long-range result of these two cartels was the great stimulus given to the search for materials that could replace rubber in tires and many other products.

The use of reclaimed rubber was materially increased.

Our company redoubled its interest in finding through creative research a satisfactory man-made rubber.

On June 5, 1940, eighteen months before Pearl Harbor, B. F. Goodrich announced the production and commercialization of America's first general-purpose butadiene-type rubber, and the sale of passenger car tires in which the new rubber replaced more than 50% of the crude rubber normally used. These tires were purchased by thousands including more than 200 leading American companies. Some of you may recall the reports that you gave us on how exceptionally well these tires performed in service.

Impetus to Man-Made Rubber

The real impetus to the production of man-made rubber in government financed plants came when the Japanese cut the rubber life-line to the Far East early in 1942.

From an almost standing start in 1942, our country was, by May 1945, producing American rubbers at the rate of 1,000,000 long tons a year—an industrial achievement without parallel—an accomplishment without which, top military leaders have stated, we could not have won the war. Over 57% of the new rubber consumed in our country during the war was American rubber, and in 1945—the year in which the war was won—87% was American rubber.

As a result of competition from crude rubber, consumption of the man-made rubbers declined in the post-war period and some of the plants were placed in mothballs. Then came Korea. Our nation's strategic stockpile of crude rubber was below the level considered necessary in the event of an all-out war. So rubber consumption was restricted in our country until government owned rubber-producing plants could be reactivated and brought up to capacity output and our crude rubber strategic stockpile increased to a safe level.

These objectives have now been accomplished. They were accomplished in spite of the fact that the consumption of rubber was not restricted in any other country in the free world, even in those countries which we regard as our allies and to which we were and are extending financial assistance. Instead some of those countries continued to sell rubber to Russia and China.

However, despite the restrictions in this country, we consumed the near record output of over 1,200,000 long tons of new rubber in the United States last year, of which 720,000 tons or almost 63% were man-made rubbers. We are no longer dependent solely upon the tree-grown product which must be imported from distant areas. We now have our own equivalent of rubber plantations. Evidence of our country's improved position is shown by the removal in April of this year of domestic controls on rubber consumption.

The Tubeless Tire

For certain uses, the man-made rubbers are superior to crude rubber—in fact, we make many products today which cannot be satisfactorily duplicated from crude rubber. One type of man-made rubber made possible the B. F. Goodrich Company's remarkable tubeless tire. For certain other uses, one or more of the man-made rubbers can replace all, or a large percentage of crude rubber with no effect upon end-product quality. For some uses, however, crude rubber is the preferred material. We still require a high percentage of crude rubber in truck and bus tires which operate at high speeds and under heavy overloads. However, the quantity of crude rubber necessary for this purpose decreases year by year with the steady advance in technology.

There now exists a competitive area between all of the many types of rubbers and to you, as users of rubber products, this means assurance of maximum quality at lowest cost.

Now I shall comment on the growth in rubber consumption and the current supply-demand situation.

In 1870, when Dr. Benjamin Franklin Goodrich founded his little company in Akron, Ohio, the total world rubber consumption was only 8,500 long tons. This year, the world should consume about 2,350,000 long tons.

For the longer-range future, there is every indication that rubber or its equivalent will continue to increase in consumption. We estimate that in 1962 the world will require at least 3,250,000 long tons of new rubber.

That is the demand outlook. Now let us review the outlook for supplies.

Supply Outlook

The world practical capacity for producing crude rubber is approximately 1,800,000 tons per year. With the total world demand for new rubber at about 2,350,000 long tons this year, it is evident that 550,000 tons or more of man-made rubbers must be produced to supply the world demand. Since the world capacity for producing man-made rubbers is 1,100,000 tons, ample supplies should be available for the next few years.

But what of the longer-range outlook? It requires seven years from the time a rubber tree is planted until it can be tapped profitably. With the present disturbed political conditions in the Far Eastern rubber-growing lands, it is unlikely that there will be substantial new investment in crude rubber plantations in that area. The problems of tree blight and of labor supply must be solved before large-scale plantings in other parts of the world can be considered practical.

If we are to have the rubber which we shall need in 1962, it is apparent that the capacities for producing man-made rubbers must be increased. This will be accomplished, we believe, by technological developments which will increase the output of existing facilities, and by the construction of additional facilities in the United States and probably in other countries.

Thus the world appears to have ample supplies of rubber today—and reasonable assurance of adequate supplies in the future. In view of these prospects, why should there now be any international problems in rubber?

The question centers in the near-term supply-demand position. With an indicated excess of supply over demand, the price for the standard grade of crude rubber, which was 18 cents a pound early in 1950 and which reached a high of 90 cents a pound following Korea, has been steadily

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*An address by Mr. Collyer before the National Ass'n of Purchasing Agents, Atlantic City, N. J., May 27, 1952.

Business and Government—What Their Relations Should Be

By HON. WALLACE F. BENNETT*
U. S. Senator from Utah

Asserting there is definite atmosphere of conflict in relations between government and business, U. S. Senator and former business executive discusses adverse attitude toward bigness and growth in business, and contends there is fetish in government for small business, while, at same time, movement is for "bigness" in government. Says business and government share same weaknesses and that overlapping competition between them seems inevitable. Points out we must find first principles and have courage to apply them in fixing relations between government and industry. Concludes government and business should be partners, not opponents.

I am having a unique experience. I am a man who, after 30 years in an atmosphere of and career in business, suddenly finds himself a part of the government. I brought to my new job the attitude that I am sure many of you have toward the government. Like you, I was inclined to observe that the Federal Government was the biggest business in the world; that we needed more businessmen in government; that if we tried to run our businesses the way the Federal Government is run, they would soon fold up.


Wallace F. Bennett

*An address by Senator Bennett before the 20th Annual Convention of the Edison Electric Institute, Cleveland, Ohio, June 3, 1952.

Today, I have chosen to report to you some of my observations in this interesting question of the relationship between business and government and the problems created by that relationship.

From the point of view of both business and government, I think it is fair to say that, at this point in American history, there is a definite atmosphere of conflict between these two great forces in our American life. In some ways, that is inevitable; in many ways, it is unfortunate. I think it is important that we spend a little time trying to find out why this should be, and then spend a little more time talking about what should or can be done about it.

The first thing that impressed me when I came out of business and went into government is that government provides a completely different atmosphere. It has a different vocabulary. The words that are common to these two parts of our society have different meanings. When these words are used in their separate atmospheres, it is difficult for business and government to find common ground on which to discuss common problems.

The second thing, of which I have had constantly to remind myself, is that there are no such things as "business" or "government" abstractions. There are only men, men who serve in one phase of our life or the other. When I made that discovery, it became easier for me to understand what was going on. I could realize that these men are moved by the same motives. They are plagued by the same weaknesses. If they are honest and honorable and men of integrity and good intention, they are looking forward to the same objective. But with the best goodwill in the world, they get involved in the differences of the situations in which they work and help to contribute to the conflicts.

I know it has been interesting to me, and I am sure to you, to observe that occasionally businessmen do go into government. After awhile, a few months or a few years, those who knew them back home when they were in business are inclined to say that they have changed, that they have caught "Potomac fever." The forces of the government have been too powerful for them. I don't think that is always altogether fair, because you have to change in order to meet the situation in which you work.

I would like to suggest three examples to point out the problems as I see it. I have suggested that men are moved by the same motives. I think there is no more fundamental motive in human life than the desire to grow, to develop, to build, to achieve, to be rewarded, and that motive moves men in business and it moves men in industry. When we are reasonably successful in either sphere, the organizations with which we work begin to grow. They get bigger. That is the measure of our success.

Question of Bigness and Growth in Business

One of the interesting conflicts between government and business, today, arises over this question of bigness and growth. The government says, "Business is too big. It has got to be curbed and constrained, and we are the boys to do it." And business says, "Government is too big. It is getting out of hand. It is threatening the liberties of our people. Something has got to be done about it." And, yet, both of these conditions happening side by side, are the result of the most normal human motive, the desire to grow and build.

Let's stop a minute and look at these two situations. Government says, "Business is too big. We can't have the power that goes with economic situations left in the hands of selfish men, whose chief motive is to make a profit, whose motivations are economic." For men in government, power is the only reward, because government as a career doesn't provide financial rewards commensurate with those that can be earned in business by men of the same ability, but it does provide the satisfaction that goes with power. So government says, "Business gets too big. They get both rewards. We have got to stop it." Then, government says, "Moved by the desire for profit, business, when it gets too big, makes too much profit. And when that becomes accumulated into a few hands, it robs us in the government of the power adequately to serve the voters, the consumers, the citizens of the United States. It interferes with our income, and so we have to stop that."

There has grown up in government a very interesting situation. There has developed a fetish for little business. Big business is evil, and little business is virtuous. It is interesting to me to sit in the Senate and see that the men who led the fight against business as a whole are the ones who worship at the shrine of little business as a virtuous check and competitor of evil big business.

Well, let's turn the page over. "Government is too big," say the businessmen. "It has too much power. It is collecting too much of the national income and spending it. It is accumulating. It has grown until it is the largest employer in the world. It has too much influence over the lives of people. It interferes with the ordinary economic process, because it has become so big." We criticize government as businessmen. We say, "It is wasteful." We say, "It is extravagant." We say, "It takes too big a bite out of the national economy for taxes."

But, in defense, government says, "Our purpose is to serve the individual citizen, and we see the individual citizen fundamentally as a consumer, a man with wants and needs. And we can't get too big to serve him. He has still too many wants and needs that are unsatisfied."

The government official says to the businessman, "You say the government is wasteful. What of it? What we waste, actually, increases and hastens the process of consumption. You say the government is extravagant. Government can't be extravagant, because its resources are limited to the resources of all of the people, and as long as there are unmet needs, it is our obligation, to take those resources and attempt to meet those needs.

"You say taxes are too high. Well, taxes may be a burden to the businessman and to some citizens, particularly, the big ones

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Investing for Profit

securities I look at them every day in the light of: "Are these the best ten or 20 securities which I can own today?" In other words, I am never satisfied that my selections are or will remain the best selections for an indefinite period. I take the attitude that there is always room for improvement. By exercising enthusiasm in seeking for better securities, and perseverence in such seeking, I keep myself on my toes. I am not wed to any security and I am open-minded regarding the merits of those securities which I do not own. This does not mean, of course, that one must make constant changes in his portfolio, but it does mean that this attitude in itself is a healthy one for maintenance of a list of securities which at all times is best adapted to changing conditions.

So many people devise a method of operation in the buying and selling of securities because that particular method may have worked for them in the past. These people lose sight of the fact that the market changes its character from time to time and that unlike the ocean, there is no regular periodicity of tides. For months the market may remain within a trading range during which time profitable buying and selling can be done for small profits. At other times the market may be in a dynamic phase of either advance or decline, at which time it may be advisable to hold on the advance or to sell on the decline. One cannot, therefore, say that he will always operate for short profits or long ones. He must be flexible. He must change his method of operation in accordance with the changes in the character of the market. He must go with the tide. He should not regard himself as a King Canute and expect the waves to stop at his command. The baseball player learns to let the ball come to him rather than to fight it; so, too, the successful investor will learn to let the market come to him rather than to attempt to impose his method of operations on the market.

To be flexible does not mean to lose one's perspective or to be swayed by either temporary fluctuations or opinions gathered from others. If one has taken a position based on sound judgment he should hold to that position provided he is not confronted with compelling reasons for changing his judgment. Too often we hear a person say that if only he had stayed with such and such a stock, or if only he had done this, that or the other thing, he would today be a wealthy man. That person has no one to blame but himself, because either through luck or the exercise of good judgment, he took a position but failed to adhere to it. Of course, all of us are going to make mistakes and perhaps the best motto to cope with this inevitable factor in market operations is the saying: "He who looks back in the market dies of remorse." Look back, yes, to gain from experience, but look primarily forward because only the future will bring successful operations.

There are fashions in stocks just as in dresses and therefore one must be flexible to the extent of recognizing these style changes. Fashion enters our everyday lives whether it be in clothes, automobiles, houses or the fad of goldfish swallowing. So, too, does the investor follow certain fashions in the purchase of securities representing various industries. At one time it will be the natural gas stocks; at another the aviation, the oils or some other group. One must therefore be quick to recognize the changes in stock styles and to take advantage of such changes. Unless he is flexible to this extent he will miss out on many important moves which prove extremely profitable to those who get aboard at an early stage. Fashion is first recognized, as a rule, by increased activity on the tape in the securities of that particular industry. It is closely followed thereafter by comments on the industry by financial writers. I do not mean to say that movements in the stocks of a particular industry are based solely on fashion, but rather that basic changes taking place within that industry are reflected by increased activity and higher prices in the securities representative of that industry, and that that movement serves to be recognized as a fashion. Follow, don't buck the trend.

Fashion works in reverse as well. Oftentimes an industry will become overly depressed as a result of widespread publication of bad news affecting that industry. When an industry becomes overly depressed and its securities fully reflect the set of circumstances prevailing at that time, purchases can be made provided one foresees a basic improvement in the not too distant future. In any operation such as this, one requires flexibility and courage for the reason that he is buying securities which at that moment are extremely unpopular. To the extent, however, that they are unpopular, they are also probably on the bargain counter. From a technical standpoint such securities usually reach a bottom after a protracted decline and after they have traded within a narrow range on or about the low point for a long period of time. Such action is usually indicative of long range accumulation, and if one possesses the courage of his convictions he can often make advantageous purchases within that depressed industry at such times. At a later date when the securities of that industry again come into favor and once more are fashionable with security buyers, it will be time to dispose of them in order to take advantage perhaps of other situations depressed at that time. It is difficult to gauge when fashion is at a peak, but here again, it will probably be reached after securities have had a protracted advance and after they have flattened out within a narrow range at about the top of the move. The opportunities in depressed securities are many, but one must be flexible in his thinking in order to take advantage of these opportunities because it goes against human nature to buy into an industry when the news surrounding it is bad.

By all means be flexible. Learn to accept losses. Learn to repurchase a security at a higher price. Watch for changes in fashions. Learn to seek improvement in your securities position and look back only for the purpose of profiting by past mistakes. Above all, look to the future. Learn to take advantage of depressed situations. Flexibility is a keynote to success.

III

Tailored Securities

Our economic lives are dependent upon investment. Everything we use and consume requires investment before it can be produced. All workers must have tools with which to work and securities are the means of raising funds for the purchase of these tools. The opportunities for investment, therefore, are as many as the products and services which are available to us. For this reason investment selection knows virtually no limitation. It is important that the individual should select those investments which best fit his needs.

Perhaps the simplest analogy might be to say that steak and potatoes are good for the young and healthy and poached eggs and toast are best for the old and feeble. In other words, the young and gainfully employed can afford to buy securities carrying some degree of risk in the hope of future growth and therefore the building up of an estate for later years. They can eat steak and potatoes. The old and not gainfully employed who are dependent upon investment income must take a different tack and purchase only those securities which afford a high degree of safety together with adequate income. Their days of looking for growth are past and therefore their diet should be one of poached eggs and toast.

Investments, like shoes, must fit the individual. There are all types of gradations and one must be careful to select only those securities which represent calculated risks in accordance with his ability to assume such risks. Yes, everyone wants three things out of investment: (1) safety of principal; (2) income; and (3) appreciation. He cannot, however, have all three in the same proportion. This is an important principle to learn just as it is important to know that one cannot time the stock market. If you will decide which of the three factors is most important to you and buy securities accordingly, you will attain investment contentment.

The three factors are to be found in varying degrees in bonds, preferred stocks and common stocks, and everything else being equal the factor of safety of principal will be in that order. The factors of income and appreciation will be in reverse order. But everything is not always equal and it is important, therefore, to consider the merits and demerits of the individual security regardless in what classification it may fall. The old days of setting up a rigid formula for investment are past. Then the formula used to be one-third of one's money in each of the three categories. Today it is altogether possible to obtain the three important factors through an all-common-stock portfolio. This is accomplished by buying different types of common stocks which can be called defensive, growth and cyclical. Defensive stocks are those which represent companies possessing more or less a static demand for products or services, such as the utilities, tobaccos, foods and drugs. During good times and bad, we must use the products and services of these industries and, therefore, their sales will tend to hold steady and income and dividends for the same reason are apt to be fairly stable. By the same token these industries, while possessing, of course, a degree of growth with expanding population, do not possess the dynamic growth possible in faster expanding industries.

Growth stocks are designed primarily for those seeking appreciation over the years. This class perhaps is best represented by the chemical group, followed by such industries as electronics, oils, air transports, etc. Because companies operating in this category indulge in intensive research activities, they are constantly producing better products for existing markets and developing new products for new markets with the result that sales tend to expand faster than the normal secular growth of the nation. The financial rewards, therefore, tend to keep pace with this type of research. The risk lies in failure on the part of any one company to keep abreast of its competition. Cyclical stocks are those representing industries which tend to fluctuate in wider swings than the economy as a whole. These are typified by steel, rail equipment, mining, building and railroads. It is well in selecting securities of this type to be sure that one is not buying at a time when the cycle is about ready to reach a peak. Oftentimes cyclical securities will prove extremely profitable speculations when bought at or near the low point of the cycle.

From this brief enumeration of the various kinds and types of securities it is possible to realize the many possibilities which are available to the investor. Again I say that he must select the kinds and types which fit his needs, as only by so doing will he be following sound investment practice.

One way in which to guard against unsound selection is to include many different securities in order to obtain diversification. Almost all of us have been taught that in diversification lies safety. To a degree that statement is true. Like any other principle, however, it can be overworked. Too much diversification in order to obtain safety often leads one away from careful selection. If he leans too heavily on diversification and too little on selection of individual securities, he may wind up with a long list of mediocre stocks. For my part I should much rather limit diversification because by so doing one is more careful in each individual selection for the reason, of course, that his stake is greater in each particular security. Fewer securities are also easier to watch.

If you will be just as careful in selecting securities as you are in buying the clothes which you wear or the food which you eat or the house in which you live, then you will attain a sound investment program. Remember that your securities must fit your needs, and remember, too, that you must carefully analyze your needs from an objective viewpoint.

IV

For the Uninitiated

What I have said thus far has been directed primarily to those who possess at least an understanding of the securities markets and the fundamentals of investment. What about those of you who do not have such a background or feel that you are not prepared to lay stress on selection rather than timing of the market, to adopt an extremely flexible attitude toward securities and to select those which fit your needs? There is still another answer for you. This answer or solution is to be found in the acquisition of investment company shares. You can purchase either what is called the closed-end or the open-end investment companies. The closed-end investment company has a specified number of shares outstanding and these shares sell at a price determined by supply and demand, just as the shares of any other corporation. Such shares are usually available at a discount from asset value and while this in itself may appear attractive, nevertheless the discount may be of little advantage to the investor for the reason that the discount may prevail for the indefinite future. Nevertheless it is reassuring to be able to buy securities at a price which is below their true asset values. There are several large, well known investment companies in this category, some of which are listed on the New York Stock Exchange.

The Open-End Investment Company is more commonly called a Mutual Fund and the number of shares outstanding of each such fund at any one time depends entirely upon the number of buyers

and sellers for that particular fund. In this case the shares always sell at net asset value. You do, however, pay what is called a "load" factor or sales charge when purchasing these funds, amounting to somewhere between 6% and 8%. The charge in itself is not large provided it is amortized over a period of years. Mutual Funds have grown in popularity tremendously in recent years, the total amount of money so invested having risen from virtually nothing 20 years ago to over $3 billion today.

In both types of investment companies the investor has his financial managing done for him. In other words, the financial experts who control the pooled resources buy and sell in accordance with their best judgment as determined through their research activities. The investor need take no thought for the individual security if he buys investment company shares as all the principles I have enumerated and many others are followed by the investment management of the trust. The history of most investment companies is good. They tend to do a superior job and the shares for the most part have reflected this performance over the years.

Every man, woman and child in the United States possesses an inherent right to participate in the growth of this country. Perhaps the easiest means of participating in such growth is through the acquisition of securities. It makes little difference whether you buy individual securities or investment company shares, but whatever you do, be sure to start an investment program and to adhere to it. By so doing you will be playing a part in the capitalistic system of America, which system is by far the best which has yet been devised. Your rewards over the years should be large and unless you do participate in the growth of America through the purchase of securities you will find that inflation, which is always with us, will cause a deterioration of your savings. Securities representing private property tend to advance with increasing prices in the economy. With the exception of the 19th Century the history of mankind has been one of inflation and most certainly today there is no indication to the contrary. There exists, therefore, a two-fold purpose for buying securities: (1) to participate in the natural growth of our country, and (2) to guard against the ravages of inflation.

One of the finest lectures ever given, and it was delivered over 6.000 times, is called "Acres of Diamonds," by Russell Conwell. The message contained in the lecture is that opportunities for making money abound within our own backyards and that the making of money is a good thing in that money is a power for good within the family and in the outside world. "Acres of Diamonds" are to be found within the financial pages of our large newspapers, in financial periodicals and in the offices of New York Stock Exchange members and other security dealers. It is all there within our own backyards. We need only take advantage of what is offered us.

It is a pity that so many people do not get started on an investment program, particularly at an early age. The primary reason, perhaps, for failure to do so lies in the fear of the unknown. Of course, anything will remain unknown unless one looks into the matter. Then, too, many people have good intentions about starting an investment program but fail to act because they are waiting for so-called "normal" times. If you will think about it, you will realize that if you had waited for normal times you would not have made any investment for the past 50 years, and think of the fortunes that have been made during that period! During this time we had the panic of 1907, the recovery to 1914 and then the First World War. We had inflation and the silk-shirt era of 1919, followed by a short depression, and then the great Bull Market of 1924 to 1929. Everyone knows about the depression of the early thirties, and the recovery to 1939, followed by a readjustment and still another recovery up to 1941 when we were struck by the Second World War. This was followed by a readjustment and then the postwar inflation era, and finally Korea and still more inflation. That history is not one of "normal" times, but rather one of changing times. There is no such thing as normalcy. Any time is a good time to invest, provided you select securities rather than time the market, remain flexible in your attitude toward securities and carefully determine which kinds and types of securities fit your needs.

If you aspire to a sound investment program, my final advice to you is to follow this procedure: First, determine your investment requirements with a clear and impartial objective viewpoint. That is to say, think out for yourself the order in which you should seek the prime investment objectives of safety of principal, income and appreciation. Once having done this, then select the types of securities—bonds, preferred stocks and common stocks—and the industries which best fulfill your requirements. Thereafter select the best comparative values in the securities of those types and industries. At that stage you will have finished the initial program, but forever afterward be prepared to make changes in order to take advantage of changing conditions and to adhere to your investment program as you have devised it. If there is any question in your mind about your ability to formulate this program, or else to find someone to do it for you, then revert to the purchase of investment company shares.

Good investing to you!

Renyx, Field Adds

DECATUR, Ga.—LeRoy Bowers, Jr. is now associated with Renyx, Field & Co.

Joins Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Philip B. Flaherty has joined the staff of Walston, Hoffman & Goodwin, 550 South Spring Street. He was formerly with E. F. Hutton & Co. and Kerr & Bell.

With First Oakland

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—Clifford A. Hatch has become affiliated with the First Oakland Corporation, Financial Center Building.

With First California

SAN FRANCISCO, Calif. — Laurent C. Hallonquist is with First California Co., 300 Montgomery Street.

Senator O'Conor Scores Federal Power Expansion

Tells Maryland Bankers, TVA was only the beginning of "big grabs" which have deprived thousands of private investors of a source of income, has lost millions of tax payers' money, and has operated in favor of only a limited number of citizens.

In an address before the Maryland Bankers Association, at Atlantic City, N. J., on May 27, Sen. Herbert R. O'Conor of Maryland attacked the rapid expansion of the Federal power projects as "big grabs," which has proven to be costly both to investors and taxpayers.

Referring to this development, the Senator stated:

"Many of our people have no conception, I am sure, of the point to which the Federal government has injected itself into the electrical power phase of private industry, Many Easterners seldom have occasion to see the huge power projects that dot the Western half of the nation. However, one has only to study the data, and familiarize himself with the announced plans of the public power proponents, to realize what a threat government activities in this field offer not only to the utilities of the country, but ultimately to all other basic industries.

"Because it was not only one of the first big 'grabs' in which the public power proponents were successful, but also because it is a symbol of what happens when the bureaucrats come to power, the Tennessee Valley Authority shows most clearly what we may look for in many other fields unless we can call a halt promptly to such Federal encroachment on industry.

"Originally authorized to manage a single dam, TVA now controls an area of 80,000 square miles in which areas some 30 or more private utility companies were wholly or partially eliminated. And the Authority is now reaching out for an additional 40,000 square miles, to control another great section now being served by private industry.

"What such preemption of any industry by government accomplishes is briefly stated. Thousands of private investors are deprived of a source of income, millions of dollars of tax monies are lost to the government, and, almost without exception, other appropriations from the Federal Treasury are required to subsidize the operation in favor of a limited number of citizens at the expense of the entire country.

"Are the consumers in that area getting something for nothing? Certainly, the taxpayers are paying the cost of government inefficiency there, because almost without exception such enterprises are more costly under government than under private industry.

"Are the workers on those government utilities better off than they were under private management? Not if we are to believe the head of one of the leading utility unions of the West who, after a few years' experience, publicly bemoaned the lower wages, less satisfactory working hours and lesser overall benefits, to his membership under government."

New York Bond Club Elects Officers

Joseph A. W. Iglehart of W. E. Hutton & Co. was elected President of The Bond Club of New York for the coming year at the annual meeting held June 6 in connection with the Club's 28th Field Day. He succeeds James J. Lee, also of W. E. Hutton & Co., who has headed the Club for the past year.

J. A. W. Iglehart

Wright Duryea of Glore, Forgan & Co. was elected Vice-President to succeed Mr. Iglehart. Richard A. Woods of Merrill Lynch, Pierce, Fenner & Beane was elected Secretary, and H. Lawrence Bogert, Jr. of Eastman, Dillon & Co., was elected Treasurer.

New members of the Board of Governors are Edward Glassmeyer of Blyth & Co., Inc.; Francis Kernan of White, Weld & Co., and Duncan R. Linsley of The First Boston Corp.

Winners in the golf competitions were:

Ex-President's Cup for Low Gross (78): Salim, Lewis and V. Theodore Low, both of Bear, Stearns & Co.

Candee Cup for Low Net (71): Homer J. O'Connell, Homer O'Connell & Co., and Thomas S. Evans, Lee Higginson Corp.

Christie Cup for Match Play against Par: C. Everett Bacon, Spencer Trask & Co., and H. K. Halligan, Cyrus J. Lawrence & Sons.

Finalists in the tennis matches were Marvin Levy, Lehman Bros., and John Wasserman, Asiel & Co., who won by a score of 7-5, 6-3, over Amyas Ames, Kidder, Peabody & Co., and Hugh Bullock, Calvin Bullock.

Special prizes were won by Donald N. McDonnell, Blyth & Co., Inc.; John B. Roll, J. B. Roll & Co., Inc.; Charles E. Merrill, Merrill Lynch, Pierce, Fenner & Beane; Allan C. Eustis, Jr., Spencer Trask & Co.; Craig Bartlett, The Hanover Bank; and Emmett Lawsshe, Bear, Stearns & Co.

Over six hundred attended the Annual Field Day.

R. T. Stone Co. Formed

Robert T. Stone and Jack Adler, both members of the New York Stock Exchange, on June 15th will form Robert T. Stone & Co. with offices at 15 Broad Street, New York City. Both have been active as individual floor brokers.

Vietor Firm to Admit

BUFFALO, N. Y.—Vietor, Common, Dann & Co., Ellicott Square, members of the New York Stock Exchange, will admit Joseph Hemmerle, Exchange member, to partnership on June 12th. Mr. Hemmerle has been active as an individual floor broker.

Bayard L. England, President of Edison Electric Institute

Head of Atlantic City Electric Co. chosen by 20th Annual Convention in Cleveland. Walter H. Sammis, President of Ohio Edison Co., Akron, Ohio, elected Vice-President. Other officials elected.

The Edison Electric Institute, at its 20th Annual Convention at Cleveland, Ohio, on June 3, elected Bayard L. England, President of the organization. Mr. England, who is President of the Atlantic City Electric Co., served as Vice-President of the Institute during the last year.

Walter H. Sammis

B. L. England

Rounding out three decades in the electric industry, Mr. England has made his career at Atlantic City Electric Company and is recognized as a leading figure among the nation's electric company chief executives. Born in Newark, N. J., on Nov. 2, 1903, he is one of the youngest men ever to hold the Presidency of the Institute, the electric industry's trade association.

After his graduation from Temple University, Mr. England went to Atlantic City Electric as a clerk in 1922, rising to Distribution Engineer two years later. In 1929, he became a Division Manager, a position he held until 1935, when he was appointed Commercial Manager. Six years later, in 1941, he was named Vice-President and Assistant General Manager, becoming General Manager and a Director in 1946. Since 1948 he has been President and General Manager.

During his 30 years of service, Mr. England's company has grown from modest size, serving principally Atlantic City and nearby resort areas, to an organization of more than 1,500 employees, with a service area spanning the eight southern counties in New Jersey. He has been largely instrumental in Atlantic City Electric's diversification of operation, so that today, in addition to resort service, the company also furnishes electric energy to the rich agricultural areas of southern New Jersey and the rapidly expanding industrial development in the Delaware River Valley territory. Under Mr. England's direction, the Southern New Jersey Development Council was formed in 1950, the organization credited with bringing most industrial growth to the area.

New Vice-President

The Convention also elected Walter H. Sammis, President of The Ohio Edison Company, Akron, Ohio, and Chairman of the Board of Pennsylvania Power Co., New Castle, Pa., as Vice-President.

The Ohio utility executive will hold office for a 12-month term, succeeding Bayard L. England, President of Atlantic City Electric Company, who was elected President.

Born in Hempstead, Long Island, Mr. Sammis worked his way through college at Columbia University, graduating in 1917. During his summer vacations, he gained practical electrical experience by working as an electrician's helper for the Brooklyn Rapid Transit Company and as a switchboard operator for the Public Service Co. of New Jersey. Following Navy service in World War I, in 1920 he entered the employ of Consumers Power Co., which was a subsidiary of a Commonwealth and Southern Corp. predecessor. In 1929 he became assistant to the Vice-President of Commonwealth and in 1938, Vice-President and Director of Commonwealth. He was named a Vice-President and Director of Ohio Edison Co. and of Pennsylvania Power Co., both Commonwealth subsidiaries, in 1933. He was elected President of Ohio Edison in 1944, President of Pennsylvania Power Co. in 1937 and Chairman of Pennsylvania Power in 1950.

In late 1949, Ohio Edison became an independent company on the dissolution of Commonwealth and, under Mr. Sammis' guidance, almost immediately acquired The Ohio Public Service Co. from Cities Service Co., which company had been ordered to dispose of its interests in Ohio Public Service by the SEC. With the approval of the Securities and Exchange Commission, and the Public Utilities Commission in Ohio, the acquisition and resulting merger was completed in about six months, in an operation so outstanding, with such benefits to consumers, stockholders, and employees, that Mr. Sammis' company was chosen as a finalist in competing for the Charles A. Coffin Award, emblematic of highest achievement in the electric industry.

Other Officials Appointed

Before adjourning, the Convention also reelected H. S. Sutton as Treasurer for the ensuing year. Mr. Sutton is Treasurer of the Consolidated Edison Company of New York. In 1935 Mr. Sutton joined Consolidated Gas Co. as executive assistant to the Chairman of the Board. When Ralph H. Tapscott became chief executive officer of the Consolidated Edison System Companies in 1942, Mr. Sutton was appointed his executive assistant. He has been Treasurer of the company since 1946.

H. S. Bennion, the Managing Director of the Edison Electric Institute, who also serves as Vice-President, was reelected, while A. B. Morgan was elected Secretary and Assistant Managing Director.

The Decline in Sterling

By PAUL EINZIG

Commenting on recent weakness in sterling exchange, Dr. Einzig ascribes it to (1) deficit of Great Britain in European Payments Union; (2) difficulty in maintaining exports; (3) poor prospect of Britain obtaining financial aid from U. S.; (4) fear of higher U. S. tariffs; (5) prospects of a British budget deficit, and (6) success of Socialists in the municipal elections. Concludes greatest danger threatening sterling is excessive wage demands of British labor.

LONDON, Eng.—Having displayed a firm tendency for about two months sterling went to a discount towards the end of May. It is believed that had it not been for a certain amount of official support the sterling dollar rate would have declined to its lower limit of $2.78 at which rate the authorities are prepared to satisfy all legitimate dollar requirements. It would be a mistake to exaggerate the significance of this turn in the trend. The fact that up to the time of writing forward sterling has not shared the weakness of spot sterling and that transferable sterling in New York has more than held its ground is well worth bearing in mind. Nevertheless, the decline is disappointing because it means that the outflow of gold has been resumed. Owing to the psychological effect of the change many overseas debtors may be once more inclined to defer the payment of their sterling liabilities in the hope that they might be able to do so at a lower rate. What is worse, foreign importers outside the sterling area may conceivably defer their purchases in the hope of being able to buy later at a lower cost as a result of the devaluation or a depreciation of sterling. Although the wave of optimism that accompanied the temporary recovery of sterling during April and the earlier part of May was distinctly overdone the present wave of pessimism is certainly not justified.

Dr. Paul Einzig

The weakness of sterling may be attributable to the following causes:

(1) In spite of the cuts in imports from the countries of the European Payments Union the United Kingdom continues to have a large deficit in relation to those countries. Month after month she has to part with substantial amounts of gold in settlement of that deficit.

(2) Since Britain's example of cutting imports has been followed by a number of countries it is becoming increasingly difficult for Britain to maintain her exports.

(3) The prospects of obtaining financial assistance from the United States are viewed with growing pessimism.

(4) The possibility of a reinforcement of the American tariff-war against British goods is causing much concern.

(5) It is feared that owing to the concessions Mr. Butler had to make during the course of the debate on his Finance Bill there would be a budgetary deficit.

(6) The progress made by the Socialist Party at the Municipal elections gave rise to fears that the Conservative Government might not be able to remain in office very long.

Beyond doubt the state of the balance of payments between Britain and the European Payments Union is most unsatisfactory. The unwisdom of the former Government in agreeing to participate in the arrangement, and even more of including the whole Sterling Area, is becoming increasingly obvious. It seems that nothing short of a complete suspension of Britain's participation could remedy this situation. Sooner or later the government may have to resort to this step in spite of the criticisms it would provoke on the Continent and in the United States.

There seems to be no hope for checking the competitive import cuts otherwise than through resorting to much-criticized bilateralist trading methods. This would be contrary to the trend of fashion in economic policy, and the situation would have to deteriorate much more before it would be done.

American assistance, whether in the form of financial aid or a liberal attitude towards imports from Britain, will depend largely on the outcome of the Presidential election. In this respect there is nothing Britain can do but to wait and see.

Admittedly since his budget statement Mr. Butler had to give away some £100 million partly through tax concessions and partly through carrying out a pledge undertaken by the Labor Government in respect of the remuneration of doctors in the National Health Service. What is perhaps even worse, revenue is bound to suffer through the trade recession. Nevertheless, if the rise in prices and wages should continue the additional revenue resulting from it should go a long way towards filling the gap. In any case the British Budgetary situation is well under control. Even a moderate deficit would not be a major disaster as it could easily be covered by normal borrowing.

Admittedly Socialism made progress in the country during the last few months as the result of the unpopularity of some of the government's measures. Notwithstanding this the government's position may be regarded as stable. Its small majority has proved to be more than adequate and there is no likelihood of a defeat in the House of Commons unless and until the government should lose a number of seats at by-elections which is not likely to occur for at least another year or so.

The gravest danger that is threatening sterling comes from the immoderate wages demands put forward by many of the most powerful Trades Unions. All-round rise in wages would impair the competitive capacity of British industries and would affect the balance of payments. Possibly evidence of a deterioration of the situation might make the Trades Unions realize that it is necessary to exercise the utmost restraint. In this respect it is not without significance that the formulation of the excessive wages claims took place during the period when the gold outflow became temporarily reversed. It was under the influence of the optimism generated by this improvement that the Trades Unions felt justified in pressing for wages increases to an extent that exceeded the rise in the cost of living and was unwarranted by any increase in productivity.

It is a great pity that the government failed to avail itself of the crisis-like atmosphere that prevailed towards the end of last year for the adoption of really drastic cuts in expenditure and curtailments of credit. The psychological moment might recur, however, if the present setback should proceed much further. British character always shows itself at its best in times of grave emergency. It asserted itself on two occasions in the lifetime of this generation—during the financial crisis of 1931 and after Dunkirk in 1940. There is no reason to suppose that it will not happen for the third time if and when the extent of the danger is realized.

Eldredge, Tallman Co. Formed in Chicago

(Special to THE FINANCIAL CHRONICLE)

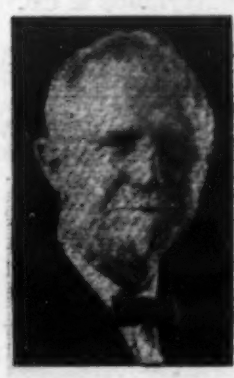
CHICAGO, Ill.—Charles H. Eldredge and Philip Tallman have formed Eldredge, Tallman & Co. with offices at 231 South La Salle Street, to engage in the securities business. Mr. Eldredge was formerly Sales Manager for the Chicago office of Reynolds & Co. Mr. Tallman was with Reynolds & Co. and prior thereto was a partner in John J. O'Brien & Co.

Women in Business

By ROGER W. BABSON

Mr. Babson, in discussing the change in position of women during and since wartime, because it was recognized women are equal to men in individual production, warns this may be temporary change. Says to hold present position women need much more physical, business, political, and economic education.

There is an old proverb which states that he who laughs to excess will eventually undergo an equal strain of tears. In its way, the proverb is restating Newton's law of action and reaction — an extreme in one direction is eventually balanced by an extreme in an opposite direction. This carries a warning to women!



Roger W. Babson

Cycles exist in every phase of living. There is a cyclical pattern in the role of women in industry. Women rose from "hewers of wood" to positions of importance as homemakers; and then back again. Today women are active in all phases of business. Homemaking now appears secondary. This change was brought about by a recognition, during wartime, that women are equal to men in production.

But this temporary change in the position of women has occurred at times in the past. In days of Olden Greece, society centered around the household; but later women took charge of the businesses of fathers and husbands who were away at war. Ancient literature reveals that women were regarded alternately with great esteem, having a high degree of personal freedom, and then as slaves. Women may again lose their present freedom.

Cycles in Styles

Styles have passed through similar cycles. Originally, women wore as little as possible; later they loaded themselves with a dozen skirts. Now the change is turning back to as few clothes as the law permits! Short dresses are followed by long dresses, and then back again to short dresses. Gloves, hats, shoes, colors and hair styles likewise change by cycles.

Readers whose businesses are affected by styles should remember that present styles are only temporary. Future styles will change as much as past styles. Merchants should realize that their ability is best shown by their adaptability. In fact, the greatest profits come from change. Most business failures are due to an unwillingness to change in time.

Beauty and Achievement

What then caused the swing from a time when women were doing only drudgery. It was the age of chivalry, brought about by gracious living and more courteous manners. Troubadours idealized women on the basis of youth and physical beauty — not for ability or achievement.

More changes came about. The Industrial Revolution found women entering factories and again seeking freedom. Political revolutions in Europe and America emphasized "liberty and equality." Women again discovered they could not depend upon beauty to develop careers or to vote!

What of the Future?

Women have again found that their interests are not confined within four walls of their homes. Florence Nightingale and Jane Addams have their modern counterparts in every area of public and home life. Many women now skilfully combine business careers with homemaking. This is shown by the fact that while women in industry have increased, nearly 4,000,000 babies are being born annually!

Services of women are needed in every phase of modern life. To hold their present position, however, women need much more physical, business, political and economic education. At this mid-century mark, women now stand as equal partners of men; but how long will men permit it? Based on past history, women are now enjoying their peak of freedom. The untrained are now headed for another period of drudgery or unemployment.

Pub. Serv. El. & Gas Com. Stock Offered

An underwriting group headed by Morgan Stanley & Co., Drexel & Co., and Glore, Forgan & Co. and comprising 67 investment firms offered for public sale yesterday (June 11) 700,000 shares of Public Service Electric & Gas Co. common stock priced at $25.50 per share.

Proceeds from this sale and from the sale next week of $40,000,000 20-year debentures will be used by the company for its general corporate purposes, including payment of a portion of the cost of its current construction program which amounted to approximately $141,700,000 as of Dec. 31, 1951. Of this total the company estimates that $84,500,000 will be spent during 1952 and that the major portion of the balance will be spent during 1953.

Of these amounts $30,500,000 is applicable to two turbine generators of 145,000 kilowatt capacity each now being installed at Kearny Generating Station, $24,300,000 for one turbine generator of 185,000 kilowatt capacity for Burlington Generating Station, and $24,400,000 for expansion of the company's gas distribution system.

The company is an operating electric and gas utility company serving the most densely populated and heavily industrialized areas in New Jersey, including most of the State's larger cities. Population of the territory served with electricity or gas, or both, is over 3,900,000. A wholly owned subsidiary, Public Service Coordinated Transport and its subsidiary own and operate a fleet of buses which comprises the largest single fleet operated in mass transportation service in the United States.

New Officers

WASHINGTON, D. C. — James T. DeWitt & Co., 1419 Eye Street, N. W., is now doing business as a corporation. Officers are James T. DeWitt, President and Treasurer; Robert C. Woodward, Secretary; and David B. Kinney, Vice-President.

Government Funds No Substitute For Private Investment

George A. Sloan, on return from European trip, reports Point Four cannot work without protection for private investors' rights. Notes marked European economic progress. Pleads for reduction of trade barriers.

The need is increasing for substituting private investment, with government protection for its legitimate rights, for State aid, is the conviction of George A. Sloan, Chairman of the United States Council of the International Chamber of Commerce. This was the keynote of a report on foreign economic conditions given by Mr. Sloan shortly after his return from a visit to Europe at a press conference in the Hotel Plaza in New York City June 5.

George A. Sloan

"We believe that so long as governments of underdeveloped countries feel that they can always turn to foreign governments for financial assistance and obtain it, they will be reluctant to act fairly and squarely with private investors," said the trade leader. "The unhappy recent experiences of British investments in Iran are a case in point, as are even more recent developments in Brazil. It is important that the atmosphere should be clarified.

"There is no doubt in my mind that private investments are far more important a source of economic well-being in the countries into which they go than is generally acknowledged."

"Let me use as example the experiences of a leading American industrial company in Central America and in the Caribbean," continued Mr. Sloan. "This company has converted, in the course of its operations, vast jungle land into areas of production, thereby creating new wealth and better living conditions in the area in which it operates. The provision of good housing, schools, medical services, hospitals and large-scale employment has made United Fruit Co. one of the outstanding examples of the successful attainment of the Point IV objectives through private enterprise.

"Recently the work has been interfered with by the communist movement in certain countries, particularly in Guatemala. The objective of communists in attacking the company and other American enterprises in Guatemala is not to destroy these companies *per se*, but to damage as far as possible American interests. The purpose is to arouse conflicts over American interests, resulting in outbursts of passion in both the United States and in Latin America, thus undermining the organization of American States and hemispheric solidarity.

"The choice of Guatemala for the purpose of these activities has not been accidental. With the advent of the Arevalo government some six years ago, which was characterized by extreme nationalism, youthfulness and inexperience in government, and with leadership provided by a strong anti-American President, communism found infiltration in Guatemala an easy task. Despite the fact that the Communist Party cannot legally exist under the Constitution of Guatemala, the party nevertheless exists openly, publishes a weekly newspaper, distributes handbills from individual communist cells, and operates a school for the training of communist organizers. More recently the communists seem to have gone underground, although this appears to be purely temporary. The Guatemalan experience offers an interesting case study of how communist activities jeopardize private initiative of the Point IV kind. It presents a challenge to statesmanship in other Latin American countries as well," Mr. Sloan declared.

Encouraged by Europe's Progress

Further discussing his findings on his trip undertaken in connection with the Chamber's recent Paris meeting, Mr. Sloan stressed the encouraging military and economic progress being currently achieved by Western Europe.

"From this latest visit to Europe—my third such trip since last June," he said, "I returned with the feeling that Western Europe represents an encouraging picture for the future. Current local tensions, such as those in Germany and in Italy, do not detract from the fundamental improvements. A strong feeling of unity, confidence and determination in a common cause can be detected everywhere.

"The objective of American policy in Europe has been the promotion, compatible with the maintenance of adequate standards of living, of rapid rearmament of European and American forces under NATO. In carrying out this policy we needed results from three specific sources: (1) Action by the European powers, (2) a closer knitting together of the North Atlantic Treaty powers, (3) continued stability of the political and economic structure of Western Europe.

"Defense burdens notwithstanding, substantial progress has been made by most European nations in the improvement and stabilization of economic lives," Mr. Sloan continued. "Inflation is under better control, with the possible exception of Greece and Austria. Non-Soviet Europe has benefited economically, politically, socially and militarily from the impact of its participation in mutual security.

"With the continued development of military strength the likelihood of attack on the part of would-be aggressors has been greatly lessened. A large share of the credit goes to General Eisenhower. His influence on the morale of the people has been profound. There is today a greater feeling of unity and more of a determination to work together in solving economic problems and strengthening mutual defense.

"The economic programs currently undertaken by Prime Minister Winston Churchill in Great Britain and Premier Antoin Pinay in France are constructive moves in the right direction. If their policies can be followed through effectively, I am sure the British and French economic crises will soon be matters of the past. I regard the Pinay economic reforms as the most significant and promising steps in postwar France," Mr. Sloan concluded.

Mr. Sloan strongly emphasized the need for the United States to reduce trade obstacles, as the prerequisite to Europe's real trade recovery. "Congress should revamp its thinking, and take steps to remove the obstacles to friendship and trade with the democratic countries," he said.

Role of the Stock Specialist

By RONALD E. KAEHLER*
President, San Francisco Stock Exchange

Mr. Kaehler discusses functions and responsibilities of the stock specialist in stock exchange transactions. Finds decline in speculation removes element of stability in stock market, and points out the speculator is a necessary part of the financial life of the country and is essential to orderly conduct of the security market.

Before discussing the function of the specialist, let us briefly review who he is and how he becomes a specialist.


Ronald E. Kaehler

The specialist is a regular member of the Exchange who has petitioned for and been granted a franchise to operate on the Trading Floor in certain stocks.

When securities are listed on an Exchange they are assigned to a particular trading position on the Floor. This position is called a "post." Any number of securities may be allotted to a "post," but for practical reasons they are kept to the maximum that can be handled expeditiously.

The assignment of each security traded on the Exchange to a particular location or "post" is essential in order that a member may know not only where to find the security in which he has orders, but to meet at one spot all the other members who have orders in the same security.

For example, if a member has an order to buy or sell American Tel & Tel, he knows at which "post" this security is traded and by going there he will find all the other brokers or their representatives with orders to buy or sell American Tel & Tel.

*A talk by Mr. Kaehler at the Sixth Annual Meeting of the American Society of Corporate Secretaries, Colorado Springs, Colorado, May 29, 1952.

Now, not only are securities assigned to a "post," they are assigned also to a specialist. The specialist has to remain at the post during the entire trading session or have a representative (another member) act for him should he vacate the post.

It is the duty of the specialist to see that orderly markets are maintained in the securities assigned to him. This means that when public orders do not come into the market at a particular moment during the day, it is his responsibility to create a market by bidding or offering the security at a price consistent with the last sale.

Let us assume a security has sold at 50, then 50¼. A broker is offering 100 shares at 50½, but the best bid prevailing among the brokers (the highest price anyone is willing to pay) is 49—1¼ points below the last sale. In such a case, the specialist could reasonably be expected to keep some continuity to the market, to make a bid of 49½ or 49¾ for 100 shares.

The Specialist Arrives at Fair Price

It is also the duty of the specialist to arrive at a fair price at which to begin the trading in each security assigned to him at the opening of the market day. This opening price must be consistent with the closing price of the previous day, but taking into account the buy and sell orders of all members. In other words, the specialist sets an opening price that will accommodate the greatest number of orders. Should the buy and sell orders on hand prohibit an opening consistent with the close of the previous day, he may buy or sell shares for his own account to bring the buy and sell orders into balance. At times, however, due to overnight news, there is such a preponderance of buy or sell orders that an abnormal number of shares must be received on one side or the other to have an opening price consistent with the previous close. In such instances the specialist announces there are buying or selling orders, as the case may be, and may delay the opening until such time as additional orders are received or until an opening price has been agreed upon by the proper officials of the Exchange.

You can readily see that the specialist must have a considerable amount of capital to finance his transactions. And, incidentally, all his transactions are not profitable ones. At times they result in substantial loss to him. He must, therefore, possess keen judgment and be alert and able to "sense" market trends if he is to keep his trading balance on the favorable side, or at least keep his losses to a minimum.

The specialist is restricted by rules of the Exchange as to when and how he may deal in the securities assigned to him. It is not necessary to go into the technical details of such rules. Their primary purpose is to guard against the specialist taking advantage of an order entrusted to him or accentuating the trend of the market in either direction. He may not buy or sell securities for his own account when he has public orders that are unexecuted at the same price.

You are probably beginning to wonder why, with the imposition of these responsibilities and restrictions, any member should want to be a specialist.

Advantage of the Exchange to Specialist

Let us look at the other side of the picture — the advantages his position in the Exchange gives him.

Members of the Exchange representing their firm on the Floor receive orders to buy and sell securities for customers during the entire trading session. These orders are in different stocks at varying prices. As previously mentioned, stocks are assigned to certain locations or posts on the Floor, and when a broker has orders in several stocks at the same time he cannot simultaneously be at the several posts at which they are traded. Some of his orders may be market orders, others limit orders — some near the market price—others several points away.

This is where the specialist comes in. He is at his "post" all day. The broker with orders near the market for securities traded at different posts cannot watch all of them. He must have someone assist him and he gives his limit orders to the specialist. The specialist lists these orders in a book in the order in which they are received, according to stock and price, and these entries make up what is known as the specialist's "book." He can tell at a glance how many shares he has to buy or sell at a given price and the brokers who have placed the orders. At times the specialist may also receive market orders from a broker who is busy executing a large order at another post or is temporarily away from the Floor.

For his services in executing orders for other brokers, the specialist receives a commission from them. This commission may average about 10% of the rate charged the public and to the broker it is part of his expense of doing business. No portion of it is passed on to the customer.

So you see, the specialist performs a two-fold service,—one to the public, by maintaining a reasonable market in his securities, and one to other members of the Exchange, by handling the orders they cannot execute themselves. For the first, he may or may not make a profit, but when acting for the members he always earns a commission.

A specialist on the New York Stock Exchange does not always have an exclusive franchise. There are competing specialists in many stocks, particularly in the more active ones.

The franchise granted a specialist by any Exchange is revocable and stocks may be taken away from him if in the opinion of the Exchange he is not maintaining a reasonable market.

I have outlined briefly the general functions of the specialist. He must be registered with the Exchange as a specialist and the Exchange in turn reports such registration to the Securities and Exchange Commission.

Under regulations of the Federal Reserve Board, and if certain stipulations are met by both the Exchange and the specialist, the specialist is entitled to special consideration in the amount of money he may borrow on the securities in which he specializes. For instance, the Federal Reserve Board will allow a specialist to borrow more than the 25% maximum credit now allowed other members and the public. This is

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Role of the Stock Specialist

important, as it gives the specialist a larger amount of credit in proportion to his capital, affording him an opportunity to deal in a larger number of shares and securities, which in turn provides greater continuity of the price in his stocks.

There is one major difference between the specialists on the New York Stock Exchange and the specialists on practically all other Exchanges in the country.

Specialists on the New York Curb Exchange and nearly all of the regional Exchanges, including the San Francisco Stock Exchange, which I represent, are also the odd-lot dealers in the securities assigned to them.

Exchanges that have adopted this system believe it helps the specialist to maintain markets. We believe the dual activity on our Exchange, where volume in securities is much less than on the New York Stock Exchange, not only helps the specialist maintain markets but benefits him financially. The odd-lots which he receives or sells at a differential from the round-lot sales often give him a profit in a transaction where he may have sustained a loss if it were not for his odd-lot position.

On the San Francisco Stock Exchange we have about one specialist for every four active members and I think a similar ratio applies on most of the other Exchanges.

Even with this bare outline, I think we must conclude that the specialist performs a vital role in the day-to-day activities of the Stock Exchange.

I have been meted out a second subject with which to deal at this meeting—**The Impact of the Speculator on Security Markets.**

First, it is necessary to define speculation in the light in which I see it as contrasted to the opinion of others that it is outright gambling.

Speculation, from my point of view, is the attempt by informed persons to make a profit from the rise or decline in security prices rather than from the income of such securities. I say "by informed persons" to distinguish them from the gambler who bets a security is going up or down merely because of a tip he has received and without any knowledge of the stock he is buying or selling. This may appear to be a rather fine distinction, but I see no place at all in the market for the latter, while it is my opinion the former is essential to our markets to give them liquidity.

Today's security markets suffer from lack of liquidity because of the lack of sufficient speculative interest. The investment buying of pension trusts, mutual funds, and in fact institutional buying of all kinds in the past few years, has depleted the floating supply of many of our leading securities. A large buying order sends the price of a security up and when the order has been filled there is a vacuum in the market and a decline of several points may follow.

If there were greater incentive for the speculator and the professional, such as the floor trader or the board room trader, they would be inclined to increase their trading, and this would create broader markets on which the large orders could be executed without affecting the trend of the market to the degree found today.

Our present tax structure is the greatest deterrent to the speculator's activity. A change in the capital gains tax to eliminate the holding period or reduce it materially, would be most helpful. It is the considered opinion of many experts that a lower tax rate on capital gains and a shorter holding period would provide greater revenues than our present laws furnish.

The speculator trades for short swings in most instances, and if his profits are to be taxed on the same basis as earned income, and the deductions for his losses limited, the tax bite becomes so disproportionate to his net gains that the impelling motive for such trading is lost.

Credit restrictions also play an important part in limiting the activities of the speculator.

To many the very word speculator has an unsavory connotation. This should not be so. Many forms of livelihood that we don't normally associate with speculation are nothing else. What is the farmer who plants his grain for profit? He sows his ground and then contends with all the uncertainties of weather, possible ravages of pests, etc., but he hopes the price he will receive will be sufficient to give him a profit. **He is a speculator.** The retail merchant buying his goods? He, too, hopes for a profit **and he too is a speculator.**

If it were not for the speculator, who would supply the risk capital for new industry? Certainly the capital supplied for a new venture is not **investment** capital. It comes from the speculator—the one who is willing to take and able to afford the risks involved in such an undertaking.

Without the speculator, would we have our oil fields, our automobiles, or in fact any of the things that represent progress in a better way of life than that enjoyed by our forefathers?

The time allotted to me is up. I have attempted in the few minutes given me to tell you why the speculator is a necessary part of the financial life of our country, why he is essential to the orderly conduct of the security market, and why there is a lack of sufficient speculation in today's markets. This last factor—caused by tax laws and credit restrictions—has taken the "impact" away from the speculator,—but the impact he has had on industrial life as we know it today. can never be abstracted from the American scene.

Lee Aldridge Opens

BINGHAMTON, N. Y.—Lee Aldridge is engaging in the securities business from offices at 6 Front Street. He was previously with Bache & Co.

G. A. Jacobson Co. Formed

DULUTH, Minn.—George A. Jacobson is now engaging in the securities business from offices in the First National Bank Building under the firm name of George A. Jacobson Co.

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Bankers Must Anticipate an Economy of Overproduction

ultimately correct this situation, but the correction is likely to be painful and complicated by outside interference.

A Pyramiding of Equities

Many impressive fortunes have been built in recent years on the inflationary advance of values. Where these fortunes have been built on, and still represent a pyramiding of equities, they are subject to serious challenge as a basis for bank credit. The borrower, who owns a million dollars worth of real estate mortgaged for $650,000, will be theoretically wiped out by a 35% decline in values. The borrower, who owns a hundred thousand dollars worth unencumbered, will still be worth sixty-five thousand dollars. As we learned in the great depression, the more serious the test, the greater the dependence on basic, unencumbered values. You will be performing a real, though perhaps unappreciated service, by encouraging all of your clients, whether borrowers or not, to consolidate at least a portion of their assets into such basic unencumbered values.

Security portfolios, built up to afford the best possible income compatible with quality and projected needs based on anticipated deposit fluctuations and loan demand, should also be reviewed from a slightly different angle of approach based primarily on the question of adequacy to meet any reasonably probable demand, assuming that loans may become less liquid and deposits pursue a declining course. Granted high quality, this becomes largely a question of providing proper maturities, and of carrying in maturities long enough to be subject to substantial fluctuation, only that portion of the investment portfolio which will not have to be disturbed under any reasonably foreseeable conditions. During recent years, and particularly within the last 12 months, many banks have added substantially to their municipal holdings. The modern price of municipals is, of course, based almost entirely on their tax-exempt features, and during this period of extremely high taxation it has reached a very high level indeed. If we accept the proposition that, barring all-out war, tax rates are now at a maximum, and that the next major tax move will have to be downward, it would be well for us to review our municipal maturities to make sure that when and if such a reduction of tax rates occurs, our portfolios will be short enough so as not to be seriously affected, or that at least the long-term portion will be no smaller than we can comfortably carry through an adverse market. The present tax law runs through 1953, and in spite of the agitation

that is already appearing I doubt if rates will be materially changed before 1954. On the assumption, however, that the international situation does not deteriorate materially before that time, I believe that the agitation for tax reduction will then become compelling.

Strengthening Personnel

Finally, and perhaps in the long run this is the greatest necessity of all in many areas, we must take positive steps to strengthen our personnel, particularly in attracting the cream of our high school and college graduates into banking as a profession. This is not altogether easy. Advancement in our business to positions of responsibility and substantial compensation has been traditionally slow. Others fields have, in recent years, offered much more dramatic possibilities to youth, and substantially higher immediate returns. It is unrealistic to expect normal young men or women to look very far into the future without some road map to help and encourage them. Perhaps the most effective is a fairly definite program of training and advancement for qualified young candidates that clearly and understandably points to the goal—not at some vague and awesome period of years ahead, but through progressive steps that they can see and understand and look forward to within the attainable future. The private chartered banking system of this country cannot rest with my generation or yours. We must each, in our turn, attract to it a continuous supply of executive material.

We Should Put Our House in Order

If we take all of these measures conscientiously and thoroughly, we will have put our houses in the best possible order to meet those problems that will be our most important concern if the pattern of the relatively poor business conditions that seems to be on the loom just now continues to develop, and we will have put ourselves in the best possible condition to meet the very much larger problem that faces the United States as the dominant factor in world economy today.

That problem may be briefly and simply stated. We have today in this country a productive capacity far beyond our domestic civilian consumption. Its excess potential has been growing at an extremely rapid rate over the past few years, but has thus far largely been consumed by military demands. Sooner or later (and at this point I must reiterate that everything I say is based on there being no all-out war in the near future)—sooner or later that military demand must diminish unless we are to accept the intolerable though that this state of armed tension will continue indefinitely. Even if it does, the pipeline of military requirements will fill up eventually and the demand will be reduced to one of replacement. The problem of overproduction in the United States will then be really serious. In addition to this tremendous productive capacity, we also have most of the world's supply of hard money. In other words, we have both the goods and the money. In a "table stakes" poker game, when one player collects all the chips the game is over—and very happily for the winner. Unfortunately, the parallel does not apply in political economy.

In order to preserve our own prosperity and our own standard of living, we must find profitable means of disposing of our surpluses. We must, in other words, find somebody to sell them to who can afford to pay for them. Artificial destruction of surpluses, gifts, subsidies — these are only temporary expedients. They effect a momentary relief at the cost of the fundamental soundness of our economic structure, just as a drug injection effects a momentary relief at the cost of permanent damage to the constitution of the user. We have got to find profitable markets and where they do not exist, they must be developed. This means capital investment. It means raising the standard of living of a large part of the earth's people to a point where they both feel a demand for American products and have the means to satisfy that demand. Imagine the possible eventual market for American automobiles, refrigerators, tractors, machine tools, household utilities of all kinds in the 300 millions of India, provided their standard of living were such as to enable them to use them: provided the roads were developed on which to run the automobiles; the houses built and the electrical connections supplied with which to use the refrigerators. This is a long range problem and not one that we in the banking industry can solve alone. It is, to a large extent, a political problem.

Capital investment can only be made in an atmosphere of political stability. But we, as an industry, must realize that American production, if wisely used, can bring to the world an era of unprecedented prosperity, and if unwisely handled, can simply result in depression and hard times at home. This is not a one-way street. If the operation is to be a permanently sound one, we must make it possible for those who buy from us to pay for what they buy. They cannot pay in gold or hard money. We already have most of that. They can only pay in goods and we must buy if we are to continue to sell. Our tariff policies must be such as to enable the goods they have to offer, for which there is a market in this country, to flow freely without imposing insuperable artificial barriers in the interest of some pressure group or groups. Realistically, it is probably impossible to maintain the American standard of living over a long period of years at a level so inordinately higher than that of the rest of the world. America is too great a force in the world today for such economic isolation to be possible. These standards of living must approach one another. Aside from all humanitarian considerations, is it not far better, in our own self-interest to narrow this gap by raising their standard of living rather than by lowering our own?

One final word, and I am done. There has in this country, and I am sorry to say in banking, developed since 1933 an increasing tendency to depend on government for security, both business and personal: Government guarantees of loans; government insurance on deposits; government guarantees of prices; government subsidies; government regulations of terms. I ask you, ladies and gentlemen, to realize that only by standing on our own feet can we be truly free. If we are to depend upon government for the safety of our operations, if we are to depend upon government to tell us to whom we can loan and on what terms, and then to guarantee the return of our money, where is the need for a private banking system? I ask you to remember one simple fact—that nobody can, or will undertake to take care of you without at the same time controlling you. We must realize that we are being forced to make a decision whether we wish to be wards of the state, cared for, directed, and controlled, or whether we wish to be free, adult human beings, making our own opportunities and accepting the risks that go with freedom. each step we have taken down the road of collectivism has been, by itself, a modest one, combined they have covered a frightening distance. Let us make our decision now. I have no fear of what it will be.

Fund Inv. Corp.

SOUTH BEND, Ind.—The Fund Investment Corp. has been formed with offices at 100-10 South Main Street, to engage in a securities business. Officers are Stephen G. Kovacs, Harry F. Schuster, and Elizabeth M. Kovacs.

Sheehan & Wolf Add

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Paul E. Watkins has become affiliated with Sheehan and Wolf, Inc., 114 Northeast Second Avenue, members of the Midwest Stock Exchange.

Securities Salesman's Corner

By JOHN DUTTON

There is a certain amount of natural inertia that must be overcome in every profession. But since sales work is essentially creative and it entails the bringing of a message, or an idea, before the public, even the most experienced salesmen are sometimes faced with the problem of overcoming their own disinclination to go to work. The main problem, at times, seems to be just getting started.

After some experience with this situation, most salesmen recognize the symptoms. There is a strong urge to do some office work, or take the day off, or go to see an old friend under the pretext that possibly he might have some business for us, while well we know that this is very unlikely. The remedy is always the same. The sooner such thoughts are put firmly out of one's mind, and replaced with the business at hand, the more effective you can become in establishing control of your own activities.

It can be proved by experience that often it is necessary to make that last call of the day if some new account is to be opened, or a large sale is to be made. Many times salesmen will go into a territory and because they have met with only limited success they will go on to the next stop, and leave the best opportunity behind them. It is consistent work that spells the difference between modest success and the larger rewards.

Once this fact is recognized, and you understand that what we call "being lazy" is also a natural impediment that must be faced, it becomes part of the job to throw off the desire to avoid work just by the very fact of "going to work."

There have been so many instances in the careers of most salesmen where dramatic proof is available that immediate success is just around the corner if we only make that necessary effort. I was recently discussing just such a case with a salesman of my acquaintance. It seems that he had opened a small account, and at the same time he had promised to call back and go over things after a month or so had passed. As sometimes happens, almost two months went by and he had not made the service call. One day his conscience got the best of him. He was in a town about 30 miles from where his new client lived and he decided that he had better not put things off any longer. So he turned his car around and made the trip. But when he got to his destination his customer was not at home.

He wrote a note and placed it near the door where it would be seen when the client returned. Then he went on his way wondering whether the call was worth the effort after all, but he did have the satisfaction of knowing that he had kept his word. Several days later he received a card from the customer. It expressed regret that he was not home at the time the salesman called, and it suggested that one of his friends who lived across the street would like to talk with him. The telephone number of the neighbor was written on the card and the client suggested that when the salesman called to see the new prospect, he should arrange for the call back with the original customer.

The salesman telephoned the prospect and made an appointment. He also arranged for the neighbor to tell his customer when he would be there. He made the call and found that it was a very substantial account. Considerable business developed and this would never have been the case if the salesman had not first of all kept his word to the original customer, thereby gaining his confidence; and secondly had not overcome the desire to do things the easy way.

It is not suggested that driving long distances out of your way is sound practice when you are working a rural territory. But in this case, the fact that the salesman neglected to make his service call as he had promised when he had been in the client's neighborhood, was sufficent reason for driving the extra 60 miles. It paid in dollars and cents. It is a definite and provable fact that if you will make the effort to overcome inertia you will do so. And whether you receive immediate results, as happened in this instance, or if the rewards come later, you can be sure that as one fellow said it, when I asked him how was business. "When I work, it's good!"

Shearson, Hammill 50th Anniversary

Shearson, Hammill & Co., 14 Wall Street, New York City, members of the New York Stock Exchange and other principal stock and commodity exchanges, celebrated the 50th anniversary of its founding June 10.

Now one of the largest and best known investment and brokerage houses in Wall Street, the firm started operations in 1902 with ten employees and three original partners—Edward hSearson, Caleb W. Hammill and W. Hamilton Busk.

Highlighting the firm's history is the record of its early contracts with leading figures in the steel industry — an association which caused the firm to be known throughout Wall Street as "The Steel House" during the first quarter of the century.

The firm gained this name after Edward Shearson gave up his job as first Comptroller of the giant United States Steel Corporation to join Messrs. Hammill and Busk in the formation of the brokerage firm. Mrs. Shearson had been closely associated with Judge Elbert H. Gary, who was the organizing genius in the creation of U. S. Steel, and with Charles M. Schwab and other leading figures in the steel industry in that era.

In succeeding years, the firm continued to expand, internally through the establishment of separate departments devoted to the many facets of investment predicted on comprehensive research, and externally by the absorption of several other securities businesses in major financial centers. In recent years the firm has extended its operations in the investment banking business which they entered in their first year when they headed an underwriting of $10,000,000 of Allis Chalmers bonds.

Present partners of the firm are: Murray D. Safanie, Farwell Winston, Roy E. Bard, Walter Maynard, Harry K. Smith, Roland C. Steven, Robert C. Van Tuyl, Alfred E. Thurber, Robert A. Kugler, William J. Denman, H. Stanley Krusen, George D. Rees, general partners; Walter L. Johnson, E. Townsend Irvin, Leeds Mitchell and J. Harry Steinkampf, limited partners.

In addition to its two offices in New York City, other offices in the United States are located in Chicago, Los Angeles, Pasadena, Beverly Hills, Hartford, Middletown, New Britain, Dallas, Memphis and Macon. Branches are also maintained in Montreal, Canada, and an agency in Basle, Switzerland.

Ass'n of Exch. Firms Fall Meeting

The Fall meeting of the Board of Governors of the Association of Stock Exchange Firms will be held on the following dates: Oct. 5-7—San Francisco (Mark Hopkins Hotel); Oct. 8-10—Los Angeles (Ambassador Hotel).

Mark Ward Opens

SPOKANE, Wash.—Mark Ward is engaging in a securities business from offices at North 1601 Monroe Street.

Bond Club of New York

Delmont K. Pfeffer, *National City Bank of New York;* Augustus W. Phelps, *Phelps, Fenn & Co.,* and Rickie; Arthur L. Hawley, *Lionel D. Edie & Co.*

Richard A. Woods, *Merrill Lynch, Pierce, Fenner & Beane;* H. Albert Ascher, *Wm. E. Pollock & Co., Inc.;* Alfred J. Ross, *Dick & Merle-Smith*

James J. Lee, *W. E. Hutton & Co.,* retiring President of the Bond Club; Wright Duryea, *Glore, Forgan & Co.,* newly elected Vice-President

John H. Leib, *Blyth & Co., Inc.;* W. Scott Cluett, *Harriman Ripley & Co., Incorporated;* Ernest W. Borkland, Jr., *Tucker, Anthony & Co.;* Robert G. Dillon, *Dean Witter & Co.*

James Sullivan, *Blair, Rollins & Co., Incorporated;* John Wasserman, *Asiel & Co.;* Henry Herrman, *Henry Herrman & Co.;* James C. Warren, *A. M. Kidder & Co.*

Robert E. Broome, *Guaranty Trust Company;* Joseph W. Dixon, *American Securities Corporation;* Lincoln J. Patton, *Halsey, Stuart & Co. Inc.;* Maynard Ivison, *Abbott, Proctor & Paine;* Milton Harrison, *Wood, Struthers & Co.*

Richard B. Watson, *F. S. Moseley & Co.;* Fred C. Braun, Jr., *F. S. Moseley & Co.;* Kenneth A. Kerr, *Central Republic Company;* Herbert F. Atwater, *Gammack & Co.;* John A. Straley, *Investment Dealers Digest;* Douglas Bartow, *American Securities Corporation*

Gerald B. West, Max G. Robinson, Wendell R. Erickson and Edward K. Van Horne, *Stone & Webster Securities Corporation;* James D. Topping, *J. D. Topping & Co.*

A. R. Piper, *Paine, Webber, Jackson & Curtis;* William A. Pidgeon, *Paine, Webber, Jackson & Curtis;* Victor A. Graymount

Twenty-eighth Annual Field Day

Karl P. Herzer, *R. L. Day & Co.;* Edgar J. Loftus, *R. S. Dickson & Co., Inc.;* E. Jansen Hunt, *White, Weld & Co.*

John B. Roll, *J. B. Roll & Co., Inc.;* Allan C. Eustis, Jr., *Spencer Trask & Co.*

H. Lawrence Bogert, Jr., *Eastman, Dillon & Co.;* William M. Rex, *Clark, Dodge & Co.;* Homer J. O'Connell, *Homer O'Connell & Co., Inc.*

W. Laud Brown, *Bankers Trust Company;* Hugh Bullock, *Calvin Bullock;* David B. MacElroy, *J. P. Morgan & Co. Inc.;* Robert J. Lewis, *Estabrook & Co.;* David Terwilliger, *Kidder, Peabody & Co.;* Fred M. McClelland, *Kidder, Peabody & Co.*

John S. Linen, *Chase National Bank of the City of New York;* Rudolph Smutny, *Salomon Bros. & Hutzler;* Sumner B. Emerson, *Morgan Stanley & Co.* (in back row); Adrian Massie, *New York Trust Company;* Craig S. Bartlett, *The Hanover Bank*

Ponies & jockeys lined up at 3:30 p.m. for the "Mighty Midget Horse Race"

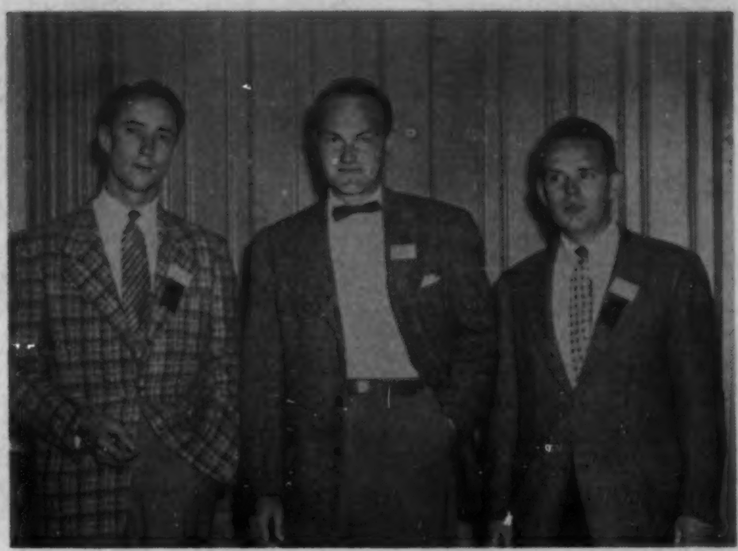
William T. Spence, *Spencer, Trask & Co.;* John Dieckman, *National Casting Champion;* John Salvato, *Ladies National Casting Champion;* Hal E. Murphy, *Commercial & Financial Chronicle*

Walter T. DeHaven, *DeHaven & Townsend, Crouter & Bodine;* Thatcher Brown, Jr., *G. H. Walker & Co.;* Elsworth McEwen, *Bankers Trust Company;* Milton C. Cross, *Harriman Ripley & Co., Incorporated*

Charles F. Bryan, *Spencer Trask & Co.;* George E. Clark, *Adams Express Co.;* Frank Gernon, *Carl M. Loeb, Rhoades & Co.;* David W. Lovell, *Laurence M. Marks & Co.;* John Whitney, *Riter & Co.*

Friday, June 6th, 1952

Ranald Macdonald, *Dominick & Dominick;* Edward K. Van Horne, *Stone & Webster Securities Corporation;* Walter W. Wilson, *Morgan Stanley & Co.;* Walter F. Blaine, *Goldman, Sachs & Co.*



Walker Stevenson, *Blyth & Co., Inc., Philadelphia;* Paul A. Conley, *Blyth & Co., Inc.,* New York City; *Norman de Planque, W. E. Hutton & Co.*

Malon S. Andrus, *J. G. White & Company, Incorporated;* T. A. Nosworthy, *Bronx Savings Bank;* William S. Wilson, *Montgomery, Scott & Co.*

George Coggeshall, *Schoellkopf, Hutton & Pomeroy, Inc.;* Edward Glassmeyer, *Blyth & Co., Inc.;* Paris Scott Russell, Jr., *Glore, Forgan & Co.;* Robert E. Broome, *Guaranty Trust Company*

Alfred Hausser, *Chemical Bank & Trust Co.;* Harvey Mole, *U. S. Steel & Carnegie Pension Fund;* Aubrey G. Lanston, *Aubrey G. Lanston & Co., Inc.;* Elam Miller, *Smith, Barney & Co.*

Richard C. Noel and David Van Alstyne, Jr., *Van Alstyne, Noel & Co.*

Van Dyk MacBride, *MacBride, Miller & Co.,* Newark, N. J.; Gilbert H. Wehmann, *White, Weld & Co.;* Robert W. Fisher, *Blyth & Co., Inc.*

Theodore Prince

Douglas Halsted, *Eldredge & Co., Inc.;* Frost Haviland, *T. L. Watson & Co.;* Jonas C. Andersen, *Kuhn, Loeb & Co.;* William M. Alley, *A. E. Ames & Co., Inc.;* Everett Tomlinson, *Merrill Lynch, Pierce, Fenner & Beane*

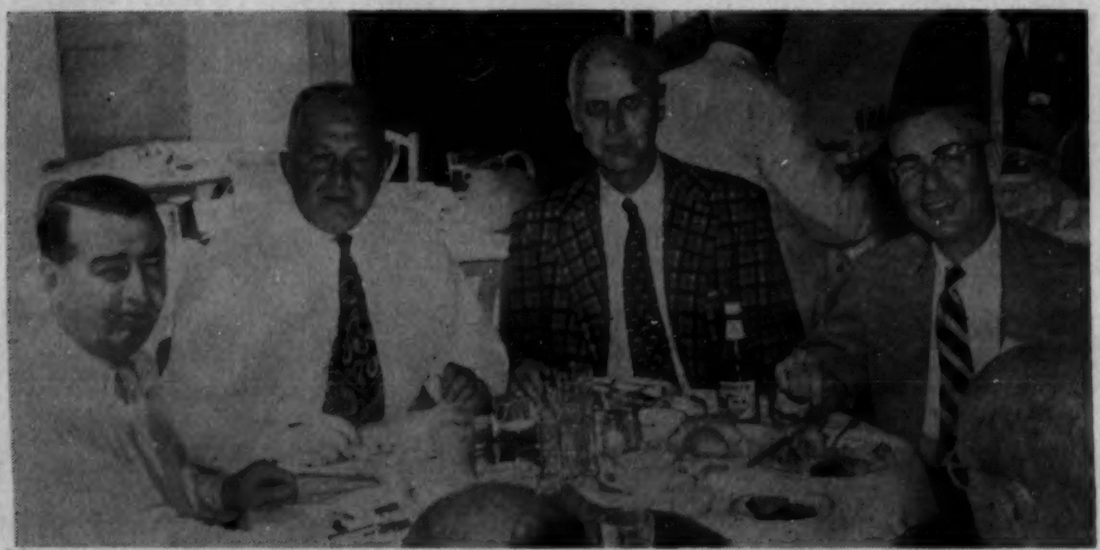
Hudson B. Lemkau, *Morgan Stanley & Co.;* Brainerd H. Whitbeck, *First Boston Corporation;* Robert Drysdale, Jr., *Drysdale & Co.;* W. H. R. Jarvis, *McLeod, Young, Weir,* Incorporated; Austin Brown, *Dean Witter & Co.* (standing); Monica Lane, *Vocalist;* A. J. Martin, *United States Trust Company* (standing): Ransom Hodges, *First Boston Corporation;* Orin T. Leach, *Estabrook & Co.*

At the Sleepy Hollow Country Club

Earl K. Bassett, *W. E. Hutton & Co.;* William H. Long, Jr., *Doremus & Co.;* Frank M. Stanton, *First Boston Corporation*

Jimmy Lanin's Tyroleans: George Kiener, Vic Anthony and Harold Richards, with Edwin L. Beck, *Commmercial & Financial Chronicle,* yodeling

John K. Starkweather, *Starkweather & Co.;* Lee M. Limbert, *Blyth & Co., Inc.;* Grosvenor Farwell, *Hitt, Farwell Associates*



Francis A. Cannon, *First Boston Corporation;* Perry E. Hall, *Morgan Stanley & Co.;* Ted Hawes, *Wertheim & Co.;* Allen C. Du Bois, *Wertheim & Co.*

MacLean Gander, *Dominick & Dominick;* William Bachert, *The Bank of New York;* Archibald Busby, *Green, Ellis & Anderson;* Thorburn Rand, *Rand & Co.;* Eugene Bashore, *Blyth & Co., Inc.*

J. Emerson Thors, *Kuhn, Loeb & Co.;* John W. Carleton, Sr., *Eastman, Dillon & Co.*

Allan L. Melhado; John E. Arrowsmith, *Van Alstyne, Noel & Co.;* Middleton Rose, *Laird, Bissell & Meeds*

Arthur D. Lane, *Chase National Bank of the City of New York;* Paul Devlin, *Blyth & Co., Inc.*

(Kneeling in front): Warren W. Ayres, *Dudley F. King;* Dudley F. King; Philip W. Carow, Jr., *Harriman Ripley & Co., Incorporated;* Standing: John Callaghan, *Goldman, Sachs & Co.;* Walter H. Weed, Jr., *Union Securities Corporation;* John L. Gaerste, *Cooley & Company,* Hartford; Raymond D. Stitzer, *Equitable Securities Corporation*

Fred D. Stone, Jr., *Marine Trust Company of Western New York,* New York City; John J. Clapp, Jr., *R. W. Pressprich & Co.;* Robert J. Larner, *Hanover Fire Insurance Co.;* John McMaster, *Great American Insurance Co.;* Morton H. Fry, *Riter & Co.;* Donald J. Nightingale, *Halsey, Stuart & Co. Inc.*

Continued from page 3

Progress in Electronics

from high-speed simple arithmetic to high-speed reading and writing, too.

The information that we compress today on punch cards will be further compressed by storing the necessary figures and words on magnetic tapes which can be scanned at the speed of many thousands of words a minute.

Methods of rapidly double-checking the results of the computer are being developed with success so that one error in many billions of transactions should be a rarity. This increase in efficiency and drastic reduction in time and labor can result in economies of startling proportions.

Since a computer's output, in its raw state, is in the form of electronic pulses, there are also possibilities for relaying these pulses simultaneously to remote points before reducing them to words and figures. The capabilities of our existing means of communication for swiftly transferring large quantities of information in electronic form is still far from being fully utilized.

These modern robots promise to revolutionize and simplify the clerical operations of insurance companies, banks, tax bureaus, stock exchanges, and business in general. For example, in merchandising organizations, a single electronic computer can do the combined accounting of receivables, payables, purchases and stock controls.

These possibilities and applications are by no means in the dream stage. During and after World War II, great impetus was given to these "super-brain machines" for use in the fields of aerodynamics, guided missiles and ballistics.

A year and half ago, after many months of research and engineering, RCA scientists completed the "Typhoon," a computer of the analogue type, for the U. S. Navy. This computer has made more than 2,000 simulated test runs of proposed guided missiles at enormous savings to the government in time and materials. In fact, it has saved the government more than $250 million on these tests alone.

Our experts, who are studying the possible applications of the electronic computer, tell me that the three main units of an insurance company are the ordinary, industrial and actuarial departments.

The two operating departments, I understand, have the responsibility for handling the accounting relative to individual policies, preparation of premium and dividend notices, salesmen's commissions, etc. The actuarial department, I am told, summarizes the results of the many millions of individual customer transactions in order to determine the premium rates and dividend rates for management approval.

Our surveys indicate that the electronic computer may bring about an integration of the activities of the two operating departments and the actuarial department which hitherto have operated separately.

In the course of recording the individual transaction with policy holders, the electronic computer is able not only to prepare the extensive summaries necessary for the actuarial department, but can also prepare the analyses normally conducted in the actuarial department and arrive at premium as well as dividend rates based on current mortality experience.

As a result, the availability of electronic computers in the reasonably near future may call for organizational revision in insurance companies.

Electronic Aids to Health

The contributions of the electron to the health and life expectancy of mankind are tangible. Direct electronic aids to health through medicine have already been developed. And there are many indirect electronic aids to health through safety, better living, and the pleasures of radio and television which bring information, entertainment and relaxation.

Foremost among the electronic tools which are performing vital services in the field of health is the electron microscope. It has opened up hitherto unseen worlds of the infinitesimal so that viruses and bacteria come into view. Human cells, blood corpuscles, tissues and nerve fibers, tremendously magnified up to 350,000 diameters, can be photographed and studied as never before.

Under such great magnification bacteria appear as large as the SS. Queen Mary, while bacteriophage attacking it look the size of tug boats.

The optical microscope is a century old, but it is still in general use. The electron microscope is little more than a decade old. Nevertheless, it has opened new fields of vision larger than those revealed by its predecessor. While the electron miscroscope is still in its infancy, it has already revealed to us a submicroscopic world to which we were formerly blind.

Recently, this marvelous instrument has shown for the first time in any real detail the outside membrane of the red blood cell. Interestingly enough, this membrane structure showed up to be different in each person whose blood was examined. The full significance of this membrane "finger printing" has yet to be examined with thoroughness, but the electron microscope, manned by skilled researchers, will be able to uncover the story.

Television is also playing a part in the war against disease. Until recently scientists found it difficult to keep microbes alive for study—at high magnification—in light microscopes. Dyes used to make them visible killed some and others were destroyed by the intense light.

Our scientists have solved this problem by making television a working partner of the microscope. The "eye" of their new system is a small television camera built around RCA's sensitive vidicon tube. No intense light is needed, since this electron tube "sees" at low light levels. And by making the tube sensitive to the red or violet bands of the spectrum, dyes and stains are eliminated.

With this new system, research men are able to watch living germs or cells—immensely magnified—on the screen of a television set. Students can be more easily trained. And, of course, scientists and medical experts learn more about disease by watching live micro-organisms.

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Progress in Electronics

Now let us turn to a number of other electronic developments, some of which may be of more direct interest to you than others, but all are highly important for they reveal how the science of electronics is leading us across new frontiers and into wider fields of business and greater service to humanity.

Viscometer—A new instrument that measures simply, accurately and continuously the viscosity of liquids. It can chart blood-clotting rates—a type of measurement that was impossible a few years ago. It will be useful in many fields to measure viscosity quickly—for example, petroleum, plastics or paint.

Electronic Inspection — Several years ago, RCA entered into a development program with the American Drug Manufacturers' Association for the electronic inspection of medical ampules containing vaccines and other liquids. This program was undertaken to improve inspection methods for insuring the highest degree of purity in drugs. Tests under way are expected to prove the practicability of electronic inspection of medical ampules in the same way that RCA's beverage inspection machine, now in use throughout the country, has improved the inspection of bottled Coca-Cola. We have also developed and demonstrated to the dairy industry a portable inspection machine which makes certain that empty bottles are clear of contamination before they are filled with milk.

These, and other electronic developments, are adding importantly to the possibilities of improving the nation's health.

Surgical Television—Within the past few years there have been several extraordinary demonstrations of what we call surgical television. A camera and microphone suspended over an operating table enables large groups of doctors, nurses, internes and students to have a close-up view of an operation. In this way television becomes extremely valuable in medical training. A prominent surgeon who watched one of these demonstrations remarked, "This is a teaching medium that surpasses anything we have had in the past—I never imagined television could be so effective until I actually saw it. It may well prove to be the Medical Lecture Hall of the future."

Industrial TV—This is a closed-circuit type of television, made possible largely by RCA development of the vidicon camera tube and a 7-pound miniature camera which can be mounted in normally inaccessible locations. Industrial TV is, in effect, a remote eye for industry. Its hundreds of applications include the observation of dangerous processes as well as transmission of information such as signatures, maps and files. It has a variety of uses in mass training, in industry and in the military services. Industrial television can add immeasurably to the safety and to the efficiency of workers in business.

Radar—A new radar set that draws a constant picture of everything in front of an airplane was recently put into production by RCA Victor for the Air Force and the Navy. It is a light-weight installation, weighing only 173 pounds, which can readily be installed on commercial aircraft. Already it has been installed on the Independence, President Truman's personal plane, as well as on Navy and Air Force transports and on troop and hospital aircraft.

The equipment can be used for collision prevention, and as an accurate indicator of weather conditions, for it enables a pilot to avoid thunderheads and select a clearer course. Ground base radar range beacons also can be received so that navigators may locate their exact position when landmarks are not visible. A special circuit enables the pilot to observe in detail the terrain within the range of the system—in fact, to see a close-up as if he were using a telescope.

The range of the system can be selected by the pilot for distances up to 225 miles. On a recent transatlantic flight of an Air Force plane bound for Germany, the Azores were observed at a distance of 195 miles from an altitude of 17,000 feet. The entire chain of islands was mapped with excellent definition, and navigation by radar was easily accomplished.

The Navy has announced that this new radar prevented a serious crash at an undisclosed overseas air base when a pilot, taking off in foggy weather, received erroneous instructions from the control tower to make a right turn. The maneuver would have sent his plane into a hillside, but the pilot noticed the obstacle on his radarscope and made the correct turn. Such a performance by radar is but one of many in which this electronic invention prevents accidents and saves lives, not only in the air but on the sea.

Television's Growth

Up to now I have called your attention to those developments and devices which mark the progress of electronics in fields most closely related to your business. But this is by no means the full story of the enormous strides made by the scientists and engineers in their ceaseless efforts to make the tiny electron perform gigantic tasks.

Television itself, which is based on the electron, has grown in a period of only five years from practically nothing to an industry whose volume of business last year amounted to three billion dollars. Including its older brother, radio—still in its youth—the industry as a whole now runs at about five billion dollars a year.

And television is only in its infancy. Before many years have passed its black-and-white images will also be seen in color.

The recent lifting of the "freeze" on new television stations and the opening up of a portion of the spectrum for use in what is known as UHF, will greatly extend the present area of television service. Today there was about 17 million television sets in American homes. There are 108 television broadcasting stations serving a potential viewing audience of seventy million persons.

Within the next five years, there will probably be fifty million television receiving sets, and about fifteen hundred television broadcasting stations with a potential viewing audience of one hundred and fifty million persons. Every home in the land, equipped with a television set, will be within range of television programs.

Elaborate plans for radio and

television broadcasting have been made for the coming political conventions in Chicago. Never in the history of the United States have political conventions been within visual range of as many people as they will be this year.

When Marconi sent the first wireless signals in 1896, the total population of the United States was 70 million. We estimate that the potential TV audience for the convention telecasts from Chicago in July, 1952, will be 70 million persons. By the time another Presidential campaign year arrives, four years hence, practically all the voters in the country will be within TV range.

In extending the range and usefulness of radio and television services, nationally and internationally, electronic progress has provided us in recent years with a marvelous tool known as the microwave radio relay. By means of radio relay stations television networks now extend from the Atlantic to the Pacific, and from the Gulf to the Canadian border.

Two-way microwave radio systems for communication along highways, railroads, pipelines, and for military purposes, also are coming more and more into use. We have built and installed a number of microwave systems, including those for the New Jersey and Pennsylvania Turnpikes, also for the Union Electric Co. and Sunray Oil Corp. Recently an order for microwave equipment was received from the North Atlantic Treaty Organization for use in Europe.

Within the next five years we may expect to see television established on an international basis. International television can become a powerful aid socially, educationally and politically. It can cultivate better understanding among nations and help to reduce the tensions born of misunderstanding. It is an old saying that "Seeing is believing."

Future Possibilities

The radio industry is mighty fortunate that Thomson discovered the electron at about the same time Marconi invented wireless. The electron proved to be the key to revolutionary advances in all forms of communication, and especially in radio and television. It is constantly widening our horizons and extending our orbits of knowledge. Today, the electron is opening new vistas to practically all other industries. What once was "electrified" is on the way to being "electronized."

We know that the electron has tremendous potentialities for development of new devices in the home appliance field. We already have electronic stoves and cookers and we may have electronic air conditioners, refrigerators and many other useful appliances. The home of the future may be electronically heated or cooled, and life everywhere made more comfortable.

Electronics, of course, continues to be the lifeblood of the communications business, but it is destined to have a great impact on other industries and, at the same time, create new industries.

Already the power of electronics is being felt by motion pictures, the theatre and aviation. It is performing important tasks for the printing industry, and holds great promise for future developments in this field. For example, our engineers, in cooperation with the Interchemical Corp., have developed automatic electronic equipment which reduces by at least 50% the time required to make color plates for printing. And the fidelity of the plates is materially improved.

This new process so speeds the manufacture of color plates that we may look forward to the time when daily newspapers will be able to print pictures of the day's events in color. It will be possible for weekly magazines greatly to increase their use of color pictures, and some of them eventually may be printed entirely in color.

Such scientific advances are of interest to insurance companies that make financial loans and investments in industry. For example, RCA is actively engaged in the production of many of these electronic developments, and a large part of our working capital has been provided through long-term financial borrowings from insurance companies. In this way your organizations contribute not only to the progress of science and the development of new industries, but also to the stability of the nation's economy.

Of course, there are risks to industry as well as risks to life. Both are in need of proper insurance. And the best insurance for the future of any industry is continued scientific research.

The rapid progress of these modern days in all branches of technology increases the hazards of obsolescence. No industry can be regarded safe that does not heed the call of science. No business is safe that ignores the opportunities for improvement of its products or its services, or that fails to foresee the possible effects of new developments.

Finally, let me refer to a question that is frequently asked by anxious people who watch the march of science. They ask: "Will the scientific machines make this a better world in which to live?"

Each man must himself give the answer to this vital question. For the answer depends upon man himself, and not upon machines, which are not endowed by the Creator with minds and hearts and souls.

If man will exercise his imagination and work as hard in the arts of cooperation, good will and peace, as he does in the fields of physical science, life can indeed be beautiful. But this is another subject, for another day.

Newburger, Loeb Adds

Newburger, Loeb & Co., members of the New York Stock Exchange and other Exchanges, announce that two registered representatives have joined their organization: Martin L. Cohn, Jr., who is located at the firm's branch office at 57th Street and Sixth Avenue, and Max Silver, located at their Broadway and 86th Street office.

Davies Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Paul O. Buder has become associated with Davies & Co., 425 Montgomery Street, members of the New York and San Francisco Stock Exchanges. He was formerly for a number of years with Hannaford & Talbot.

Joins Cruttenden Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Raymond F. Schlie has become associated with Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Schlie was previously with Heath & Co. and Reynolds & Co.

Continued from first page

Electric Power Industry Meets Peak Load Demands

operation between the utility companies and their large power users. Experience over the years, including other periods when for local reasons power shortages seemed imminent, has proven that Federal intervention is not required to take care of the situations, but to the contrary, such curtailment orders as have in the past been issued have been psychologically disturbing and electrically of small consequence. The men in actual operation of the generating plants, regardless of ownership, can handle difficult situations more quickly and more effectively than any agency situated in Washington.

The great strength which has been demonstrated, not only by individual electric utility companies, but by combinations of companies working together to meet unusually large requirements, justifies our deep satisfaction in the fact that there has been no power shortage, and our confidence in asserting that if permitted to operate in the atmosphere of our American way of doing things there will be no power shortage.

Having made these basic assertions, let's take a quick look at the supporting facts. During 1951 in this country 6,979,000 kilowatts of new power generating capacity was added in plants contributing to the public supply and in industrial plants. This figure is not to be confused with the increase in capability since factors other than installed capacity affect peaking capability. The investor-owned companies installed 70% of the new 1951 capacity, Federal and other governmental installations accounted for 25%, and additional installations in industrial and railway plants the remaining 5%. At the end of the year our country led the world by a wide margin in available power, having a grand total of almost 90 million kilowatts; an increase over 1950 of about 8.5%.

These figures fail to give the dramatic picture of the addition in one year of 1/12th of the total capacity previously installed since the electric industry began some 70 years ago. This accomplishment came not from panic spending, but as a result of careful planning by competent minds since World War II. This planning and building was accomplished by manufacturers as well as utility operations and our full mead of praise must go to this country's giants who make the prime movers, boilers, switching and control equipment, plus the multitude of auxiliary apparatus found in the modern hydro and steam generating stations.

This expansion costs money, big money. During each of the past three years our electric utility companies have spent over $2 billion for bigger and better facilities. In order to get some perspective on expenditures of this magnitude consider the figures coming out of a McGraw-Hill Survey for the two years 1951 and 1952. This showed that $40 billion will be spent for enlargement of industrial plants of all kinds and almost $7 billion of this will be for electric utility facilities. In this two-year period the industrial capacity of the country will increase 16%, or an amount equivalent to 1/6th of total investment in industrial plant built in all the years of our previous history.

Taking a short look into the future plans which are definite, it is indicated that the $12 billion investment in electric service facilities at the end of World War II will multiply two and one-half times to a total of $30 billion by the end of 1954. Do you recall not so long ago in Washington there was a school of thought which held that industrially America was overexpanded, and complained because prices had to reflect the carrying charges on this excess capacity? How short-sighted can those economists be?

Plans for the Near Future

Let's take a quick reference to the latest results coming from the Institute Power Survey Committee. For the country as a whole, the Committee's 11th semi-annual survey, made this Spring, shows for calendar year 1952, with median water conditions, an increase of about 9 million kilowatts in capability and a peak load growth of some 10 million kilowatts. Assuming that plant expansion will continue to keep reasonably well on schedule, this will mean we'll wind up the year with a gross margin of capability over load in excess of 7 millon kilowatts. The percentage of reserve will not be as large as we used to believe was desirable, but with the better integration of neighbor systems and the operating abilities of our system operators, I believe this margin will suffice.

In practically every issue of our trade magazines we find reference to the start of a new plant or the enlargement of an existing plant all over the country. Our engineers are now projecting the new capacity to go on the line in 1955 and 1956 and are thinking in terms of 1960. I can assure you that their minds run not alone to numbers of kilowatts, but to higher and higher efficiency, larger unit sizes, higher steam pressures and an entirely new level of transmission voltages. Last March, in an address entitled "Vision and Power," Philip Sporn, President, American Gas and Electric Company, presented to the first American Power Conference an excellent portrayal of advance thinking. Among other things he said:

"If we are to get maximum utilization of electric power, we need the most economical development and the most economical operation. . . . Production of electric power is a most complex and unique technical economic operation. . . . This . . . calls for a great deal of advance planning to avoid obsolescence due to inadequacy; that in turn means long reaches into the future. For unless the fog of the future is pierced by vision, neither size nor technical dimensions can be visualized. As a matter of fact, unless the social-economic trends are visualized, the very foundation for future systems cannot be developed. In short, sound development of power systems is not possible unless boldness and imagination—vision—in projection and conception are liberally intermingled with technical soundness and economic responsibility."

From my own experience in the past two years I can testify to the rapid pace the engineers are travelling. The duplicate in name-plate rating of a plant which started operation in 1951 will, when it starts generating this coming Fall of 1952, embody new features, so that with the same name-plate rated generator, the actual output capability will be 13½% higher and the efficiency 7½% better.

This result requires more capital and this is where taxes and inflation play an increasingly villainous role. Our burdensome tax structure strikes from three angles: first, the additional equipment cost per kilowatt to compensate for higher taxes all the way back to the raw materials; second, the tighter money market because of the heavier drain on the investor's income to supply the insatiable demands of the Federal treasury; and third, the withering effect of taxes on labor's take-home pay. In the last case, the consequent resentment is not so much against the profligate government spender as it is against the boss who becomes the only tangible target against which the aggrieved employee can vent his displeasure.

Company Personnel

New plant equipment is increasingly complex and expensive, which brings new problems of personnel. In the modern steam generating plant the investment per operating emplyee may well reach the astounding total of $300,000. By the same token, employee qualifications are being raised, so more and more emphasis is put upon education and experience in filling personnel requirements. A considerable part of the program of this Convention will be devoted to this highly important facet of our operations. As strikes and labor difficulties sweep the country we must realize that taxation of the individual is one of the root causes. Then, paradoxically, out of employee dissatisfaction, no matter how caused, comes a demand for government interference and a greater reliance upon the labor boss who can exercise control over the executive and administrative departments, rather than an understanding of the true cause of the economic upset and apply-

ing the right methods of solution. We cannot shut our eyes to the developments of the past weeks and months. When thinking of personnel needs and relationships, facts as they confront us must be taken to account and our best efforts aimed at straightening out current faulty economic thinking. Otherwise there will be much truth in the little poem:

"Blessings on thee little man
Barefoot boy with cheek of tan,
Trudging down the dusty lane
Without a thought of care or pain.
You're our best and only bet
To pay off the national debt.
Have your fun now while you can,
Soon you may be a barefoot man."

Financing the Expansion

If you have followed me thus far you have beheld the magnificent power plant rising against the skyline and envisioned the further magnificence and efficiency in the still greater plant on the drawing board in the engineering department. About this time it may be well to stroll across the hall and see what the executive responsible for financing has on his mind. The pattern of financing new plant requirements is quite well established and I will not take time to discuss it, other than to point out that borrowings are providing up to 60% of capital requirements with stock sales and retained earnings, classified as equity money, furnishing the remainder. Looking back it is fortunate that refunding operations which began some ten years ago were covered in a time of low-cost long-term funds. When we go to the market now it is for new money which must come from current savings rather than reinvestment of funds derived from repayment of earlier obligations. This fact plus the enormous capital requirements for industrial plant expansion outside our industry has resulted in a normal, and I believe healthy, increase in the cost of money. Ample funds are still available if the borrower meets the market price. One of the greatest tributes paid to our industry is the evidence of faith on the part of institutional investors in us and in the private enterprise system. This is even more pronounced in the market absorption of large amounts of equity securities. Just here I would like to quote from that source of wisdom called upon in many a utility man's speech of the past few years. In an address before the National Conference of Electric and Gas Utility Accountants in April, Mr. Charles E. Oakes said:

"In 1951 the gross proceeds from the sale of new common and preferred stocks for all corporations totalled $2.1 billion, of which the electric, gas, and water utilities accounted for 35%. This is competition for the investor's dollar with a vengeance—competition which we may expect to prevail for some years ahead. Note that the utility industry with a gross of only one-thirtieth of all industry must provide funds for constructing one-sixth of all plant, and to do so must call on equity investors for one-third of available equity funds each year. This is competition compounded."

Adequate Rates

It is all very well to talk about investor confidence but we must not overlook the indisputable fact that continued confidence must rest on a solid foundation of performance and earnings. The engineering feats of our utility and manufacturing companies, coupled with low cost of funds, have combined to make the price performance of electric service phenomenal. The almost unbroken record of rate decreases continued, even though in a diminishing degree, until the past two or three years. Since then the very nature of our rate structures has maintained a decline in the average cost per kilowatthour. Now we can see no new factors which by reducing overall costs will offset the upward pressure of inflation and taxes. This leaves but one avenue open and that is to increase rates so as to produce a return which will attract the new money for the expansion program. I am suggesting nothing new. Already some 265 rate increases have been granted and 55 or 60 additional applications are pending. Yet with all, the average price for power is still less than it was in 1940. While we believe in local regulation of rates fully to protect the public interest, we must face the fact that the processes of regulation often place changes in rates, be they increases or decreases, out of step with unregulated prices. Such a condition to a measure prevails today when the steep uptrend in the wholesale prices is levelling off at the time when the utilities must seek their increases. The resistance to the increases in the electric rate schedules stems more from a feeling against the fact of the increase than its monetary effect. In 1951 electricity represented but one and one-eighth cents out of the dollar value of goods and services produced and but seven-eighths of a cent per dollar of personal income.

Attention to Sales

Coupled with the consideration of rates is the need for intensified sales efforts. For the past few years our major problem has been to add capacity in all of our facilities to meet the growing needs of our customers. At the same time, it was obvious that stepped-up selling was essential, to enable the most efficient and profitable use of the new equipment, which, at today's high prices, represents such a large proportion of electric company investment. It was recognized that without determined and carefully planned sales campaigns, difficulty would be experienced in maintaining the earnings necessary to attract the capital required for continuing expansion. The police action in Korea confused the picture, with production for defense creating new requirements of a high order of magnitude so that since the beginning of 1951 serious consideration has been given to curtailment of even such sales efforts as were being practiced.

We are now confronted with a somewhat unusual situation in that civilian consumer purchasing is declining while savings are increasing. Certainly all consumer wants have not been filled and it would appear that the reason must be a hold-back on the part of people to buy the things they would like to have even though they have the money in the bank to satisfy that desire. Credit controls have been a factor but they are now being released. I suggest case study of this situation by each company in its own locality to the end that the almost forgotten techniques of salesmanship be taken out of mothballs and more liberal appropriations of time and money be made for the sales department, including more funds for advertising. The fact that many of our companies have discontinued direct merchandising does not mean that company sales efforts are not as important as they ever were.

Farm electrification is far behind the progress made in the industrial plant and now is the time to sell the farmer on the basis of electrification for his own profit. The rapid progress which has been made in taking electricity to the farm through the combined efforts of the utility companies and the rural cooperatives has enlarged this opportunity until it embraces almost all the farms in America. Based on Institute data as of the end of last year electricity was used or available to more than 4,650,000 farms, 229,000 of which were added during 1951. Our agricultural colleges are coming up with constructive results and plans for streamlining farm operations adapting production line methods to farm processes. I strongly urge power companies to reactivate the cooperative groups of farmers, agricultural colleges, county agents and manufacturers, following the pattern of 25 years ago when the Committees on Relations of Electricity to Agriculture added great impetus to and obtained magnificent results in farm electrification. The opportunities today are greater than at anytime in the past.

Stream Management

Closely aligned to production for profit on the farm is the intelligent development of stream management viewed from what should be the primary objectives of soil conservation and stream control. It seems to me that these considerations should take considerable precedence over navigation and complete priority over power development. My only suggestion with reference to this broad subject is that our utility companies are perhaps closer to regional needs than any other agency and through careful study should qualify for taking part in local cooperative efforts aimed at most beneficial use of our waters and the prevention of improvident political considerations which may impose a heavy penalty on future generations.

Relationship With Government

The development of America and the unique advantages it now holds over all the rest of the world stems from our system of private enterprise and the basic theory incorporated by the founding fathers in the Declaration of Independence and the Constitution, that government should be limited in power and exist only by and with the consent of the governed. As we study this foundation of our governmental structure we cannot but believe that every safeguard the mortal mind of man could conceive was written into those basic documents to protect against a government by man and usurpation of power by a central government. In recent years keen minds have searched for crevices in that structure and interpretive openings through which new powers might be collected and exercised to the detriment of local authority and individual rights. Some of these attempts have been turned back but all too many have prevailed.

As a result of some faults and failings in our business procedures which have been exploited out of all proportion by those ambitious for the seizure of power, we have reached a point of real danger. The lack of unity among the various segments of business and for that matter within different parts of our own industry have weakened the defense which should have been made against these changes in our basic form of government. Can we now face the facts with courage?

In our industrial undertakings two elements are common to all. These are energy and labor. A monopoly of either carries with it control over every type and form of industry and business. This fact was early realized by avowed Socialists in this country who mapped out and published an overall plan for the nationalization of the electricity supply. We have witnessed too frequently the power of a labor organization, motivated by its own selfish aims, seriously to curtail the functioning of our whole industrial machine and bring the government to heel. It is not too broad a statement to say that monopolistic control by government or labor leaders of either or both of these essential ingredients of industrial production means the end of human liberty. In conducting the fight we have against the encroachment of the Federal Government in a proprietary capacity in the manufacture and sale of electricity we have been fighting for the freedom of all industry. In a few short years we have seen the theory of incidental power transformed into the practice of transcendental power.

By distortion of the intent of Congress as expressed in the Rivers and Harbors Act of 1944 the Department of the Interior has used the so-called Preference Clause not to protect the interests of the various agencies enumerated in the Act, but in a highly discriminatory manner to justify construction of expensive and unnecessary transmission lines at the expense of the taxpayer and to the serious hurt of the utility companies established in the areas affected.

The Institute has long been aware of and has studied intensively the problems arising from the marketing of electric power by agencies of the Federal Government. Two years ago EEI formally stated its basic position in response to an inquiry from the President's Water Resources Policy Commission. There is a growing realization by many taxpayers, members of Congress and the consuming public of the need for achievement of the best principles and practices in marketing Federal power. The complexity of past practices should be simplified and a fair, reasonable and equitable program should be adopted to give recognition to the rights of all U. S. citizens and direction to the soundest functions of their national government. Every family in the United States is involved either as consumers of electricity or as taxpayers or both.

The taxpayers will not support costly Federal power programs indefinitely when they understand that they can get as much or more from private enterprise which

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Electric Power Industry Meets Peak Load Demands

operates under full public regulatory procedures. Much work needs to be done more fully to advise the public about the waste factor involved in the construction of some generating facilities and transmission lines by the Federal agencies when our companies are spending enormous sums to expand their facilities to meet the requirements of people in their operating areas. This Institute is collaborating with all organizations, both in and outside of the electric industry, which seek a constructive solution to these matters. Of course the activities of the electric industry and others, leading to this desirable achievement, have already provoked severe criticism from those who believe in the predominance of the socialistic viewpoints of Federal public power planners. More attacks can be expected but we can confidently believe that eventually right principles will prevail and have the support of a large majority of the American people.

Recently the public power group enlisted the aid of the President. Perhaps without full consideration on his part he signed a letter containing inaccuracies and fundamental misconceptions of rate regulation as provided in every regulatory law governing utility company rates. You may recall this letter charging that if the Department of the Interior interpretation of the Preference Clause is not sustained and the big appropriations sought for duplicating transmission lines are not approved it would open the way for utility companies to make enormous monopolistic profits on the investment made by the Federal Government for all the people.

Mr. Truman should have known, and probably does know, that utility companies are allowed under all regulatory laws to earn only a just and reasonable return upon their investment in property used and useful for rendering service to the public. If the government builds dams and power houses and the utility companies have access to the power generated for distribution to their customers they can make no profit whatsoever on the investment made by the government. They can only earn their "just and reasonable return" upon the investment made entirely at the utility's expense in transmission lines, substations and other facilities for delivering the government energy from the power plant to the customer. The President's concern apparently goes only to that part of the public served by publicly-owned systems and the cooperatives within this favored circle, from which 80% of the people of the country served by the investor-owned utilities are excluded. Just another example of the government exercising monopolistic power for the benefit of a privileged few.

Today's Battlefields

There are now before the country some specific cases which stand forth in stark realism in the struggle of the public power group for socializing the nation's power supply. Inasmuch as we are to hear some of these discussed during the course of our program I shall but enumerate four of the instances in which the Secretary of the Interior is attempting to stop development with private capital and pour hundreds of millions of dollars of taxpayers' money into the socialistic scheme.

In each instance private capital is prepared to proceed promptly, efficiently and more rapidly than the Secretary even claims would be possible if the projects were turned over to his Department for development. These specific projects are the Niagara River Redevelopment Plan, the Hells Canyon project on the Snake River in Idaho, the Kings River Development in California and the Roanoke River Rapids in North Carolina. The determination of these cases will mark the future for this country in the battle of Socialism versus American enterprise.

Need for Understanding

Perhaps the greatest need of our country today is mutual trust and understanding among every segment of our people as labelled Government, Labor, Capital, Management and the so-called "general public," which after all is nothing but a combination of the other groups. If the ultimate impact on the American individual were the directing motive of each of these groups we would have cooperation instead of strife, amity instead of ill-will, constructive correction of wrongs and poor practices instead of evil poisoning of the minds of one class against another. Great as this country is and tremendous as is its production, our standard of living and outpouring of goods and services of all kinds would be augmented to a miraculous degree if the Golden Rule and the 11th Commandment became the criteria of our policies and actions.

In Conclusion

I can, with great sincerity, repeat the words of all of my predecessors when they stood as I do today at the exit door of their term of office. The past year has been one of considerable effort and rather strenuous travelling about the country, but the opportunity to become acquainted with so many of the fine people who constitute our industry has been a full and ample reward.

Much of the work of the Institute receives but little publicity and is visible to but the relatively few who are directly interested in such work. I can assure you, however, that our divisions and the committees comprising each of them are literally at work all the year round and whether or not even they realize it, their end results are to enable our companies to do a better and more complete job in the service of our customers. I only wish time and my ability would permit such an acknowledgement of the work of these groups as would bring them to the attention of every utility man and woman as well as to the public whom they are directly serving.

The headquarters staff, under the able direction of Colonel Bennion, are constantly alert, progressive and possessed of true vision. It has been a great pleasure to spend a considerable time with them at staff headquarters. During the year progress has been made in coordinating more closely the activities of the Institute with our other industry organizations. As a group they ably fill the needs of our member companies at both national and local levels. So long as these organizations can be kept coordinated and synchronized, I feel their work is being accomplished as efficiently and as economically as could be done even if it were feasible to consolidate all the work into one organization.

The most interesting and inspiring part of my experience of the past year has been the realization that our horizons are constantly being pushed farther out and we have in our midst men of true vision and great courage who are striving not for the selfish benefit of our companies alone, but for greater development of electric service in the true meaning of that word, and the preservation of our grand country. Unlimited opportunities still exist and freedom will remain so long as the State shall be kept the servant and not the master of the people.

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Good Management in the Electric Utility Industry

words, there is good management and bad management in any industry, and I am glad to recognize that this particular industry has its fair share of fine management. May I now turn your attention to some fundamental questions which these cases force all people in the management of an electric utility business to face fairly and squarely. At least, they should be thought-provoking.

(1) **Does the Management accept a philosophy that there is just as much incentive for growth and progress in the electric utility industry as there is in any other form of commerce and industry in America, or is it a victim of the belief that a government-regulated industry is of necessity a retarded industry?**

Even though rates are controlled and these controls vary by states, in most cases, the rate is arrived at as a percentage of a base which is usually capital investment. This means that by increasing the quality of the service rendered, you increase demand for the service, you increase the capital investment because of added facilities needed by that demand, and you receive the capital for such investment as a result of the confidence of the investing public in the management. By this means, you increase volume and by increasing volume, you increase profit. All this means is that it takes a pretty competent management to do these things, and the more competent the management, the more satisfactory is the result. If this kind of philosophy exists in your management, then it is apparent to you why there is a need to manage so that you have good management.

(2) **Is the management of the company leaning toward the European economic philosophy, or is it dedicated to and a believer in the American approach?**

The average European business executive believes that the only way to increase his profit is to go to the government authorities and secure a price increase. The American philosophy is that by increasing the quality of product and reducing the cost to the consumer, you increase the demand, the market, the volume, and thereby increase your profit.

There is a great deal of difference between these two as to the need for competent management. The common European variety requires negotiators. The American variety requires business executives. If your company believes in the American approach (despite the fact that it is government-regulated), then there is no question about your belief in the need for managing to have good management.

(3) **Does the management realize that we are approaching the greatest competitive economy this nation has ever known?**

There are some who are talking about "the coming depression." There are those who seem to have thought this through fairly well, however, who describe it better as a return to hard, tough, rugged competition with success at a premium and with a high rate of business failures. Some people like to call this the normal and healthy condition in American business and industry.

A large percentage of men in positions of management responsibility today have never operated in a competitive economy. We haven't had such an economy. We this country for nearly 14 years. If there were no other reason for paying a lot of attention to the competency of our managements, these competitive conditions in themselves should be sufficient to call for all of the effort we can put forth to prepare men adequately for what they will be up against.

(4) **What is the competition in the electric utility business?**

For one, there is gas, and those of you who are directly competing with the gas utilities know it is sharp and rugged competition. Those of you who are fortunate (or unfortunate) enough to be in both the electric and gas utility business have the same competitor, and an extremely rugged one —government operation.

Competition with government operation will not be determined on the basis of competitive rates and costs. The government figures never will be compared honestly and fairly with those of private utilities. That competition will be settled purely on the basis of public faith and confidence in the competency of private management. So long as the management of a private utility is doing a job acceptable to the public, then the government loses its appeal. Even though government operation may be known to be less competent, the public turns to it as an alternative to incompetency when it exists in private industry.

That management that is conscious of this situation well knows the need for managing to have good management.

(5) **Is the management of the company fully conscious of the unlimited market for electric utilities and of the strategic part that managerial competence plays in the capture of that market?**

It is difficult to conceive how anybody in the electric utility

business can fail to comprehend the unexpected developments every year that increase the market for electric power and, therefore, require attention to the importance of developing management that can take advantage of these new opportunities.

The job of the electric utility executive is to create markets. There is absolutely no limit to residential, commercial, and industrial electric power needs.

Television has been increasing in leaps and bounds and it is a product for poor, middle class, and wealthy. The electric clothes dryer is a recent development. Its power consumption is that of the electric stove. It has proved to be one of the greatest middle-class appliances that there is today.

The lighting in practically every home, office, and factory is inadequate. People are physically suffering because of nothing but ignorance. With the many years that we have had electric lighting facilities, we are not yet using anywhere near the requirements for just plain good health.

The substitute for men is electric power. If labor costs go higher, machines increase in number. If machines increase in number, productivity increases, man's needs are met with less effort, and the standard of living of all increases.

All of these illustrations are listed simply to enforce upon our consciousness the fact that the potential for volume in the electric utility market is far beyond the concept of any human being, and there never could be a management in the utility business competent enough to tap it all. Those managements that are conscious of this are fully aware of the value of concerted and continuing effort to have good management. The electric utility business is a volume business. The volume is available if we have the people who can get it.

(6) Is the management of the company cost conscious, or is there an inclination to be a bit careless about this because of the cost-plus aspects of rates determined under government regulation?

Do not be too quick to answer this. It is extremely important. Regardless of what the rate base may be, the profit of an electric utility concern can be increased with volume. The lower we can keep our costs, the lower we can keep our prices, and greater consumption will result therefrom, as well as greater satisfaction by the consuming public. Don't forget it is the satisfaction of the consuming public that licks that tough competitor — government operation.

Keeping costs down is directly related to the competency of management. How well informed is the management on methods and efficiency? How competent is it in its supervision? How able is it in building a tight, taut, efficient organization that can produce services and products at less unit cost despite constantly rising costs of the ingredients? The essentials for operating an electric utility company today are 90% more than they were in 1941.

If you are able to answer this in the affirmative, then you know what we mean when we say that you don't get this by hit-or-miss, day-in-and-day-out management. You get it only by having a competent management which you have only by managing to have it.

(7) Are the management people adequately compensated?

This is a basic question that more managements are asking themselves today than ever before. While material reward is still not the greatest for which management people strive, it is extremely important. It has been fairly well established that as executive incentive is reduced, so is executive performance. If the experiment in England during the last four or five years has not proved this, what has it proved?

The tax situation in this country already has cut seriously into executive incentive, and we aren't too far from being down the road as far as England has gone. It is extremely dangerous. Numerous studies are being made constantly by individual companies and by industries as to how the compensation of their executives may keep up with inflation and taxes.

We have in the American Management Association an Executive Compensation Service which is the most extensive study of its kind. It not only analyzes the actual compensation of the key executives in hundreds of companies and by industries, but it also makes available to managements various modern methods of executive job evaluation, incentives, and compensation which help managements to keep on top of this problem.

It has also been my privilege to see one or two surveys which have been made particularly in the electric utility industry. If any electric utility management is not studying such surveys as these, it might be well to do so. This is a problem with which we cannot procrastinate in any business or industry.

This has been rather a long and searching analysis, but I don't know of any other way to approach an important problem of this kind without determining the need, and I don't know how to determine the need without facing fundamental issues. All I have tried to do is to suggest questions that each individual management can ask itself to determine the extent of its own needs in relation to increasing the competency of its management organization.

Suppose, after you have answered these questions, you feel you are not doing enough in order that you may have the kind of management you would like to have? On the other hand, possibly you would like some suggestions against which you can check what you are now doing in order to help you in determining its adequacy. With this in mind, may I suggest some things that managements might do in order that they may manage to have good management.

What Management Is

First, let us consider what management is. Management is an activity in itself unlike any other activity. It requires particular qualifications and preparation. It is the responsibility for getting things done through the efforts of other people.

What Good Management Is

Good or sound management is that which is continually increasing its competency to do the management job. It understands the true nature and responsibilities of management; carefully and consciously selects and develops members of the management team in line with required qualifications and preparation; is guided in its actions by the firm belief that the product and services it offers are means whereby the company's employees may render a genuine service to society with deep personal satisfactions. It is a management which makes continuing profits over a long period of time.

What Profit Is

Something akin to righteous indignation rises within me when I hear it assumed that profit is undesirable, that the making of it is sinful, and that the fact that some individual can operate more profitably than another automatically establishes him as a crook. In the public mind, profit has tended to become a term of approbrium, ranking high in the dictionary of epithets employed by the demagogue and the radical; a profitable corporation is considered by some to be an organization that follows undesirable practices.

But, the mere fact that Hitler used Wagnerian music to symbolize the "esthetic" side of the New Order is no reason why we should consign to the scrap heap some of the foremost works of musical literature. If a symbol has been abused, we must learn to look beyond it, to the abuse itself.

So it is with profit. The free-

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dom to make profit implies also the freedom to make it unfairly or to make it on products and services which, by many standards, are undesirable. This is inherent in the nature of freedom. With the freedom to do right, there must co-exist the freedom to do wrong. Society, however, has a slow, certain way of dealing with those who are dishonest, ruthless, unfair, and who dispense what society considers harmful. While it must be recognized that profits have at times been made in the past by exploitation and by anything but fair and acceptable management, the fact is that we are approaching the end of that era.

If a company receives more for the goods and services which it produces and distributes than it has to disburse for the products and services which it purchases, then that company is said to make a profit. If it continues to make such a profit over a long period of time, it may generally be inferred that society has placed the stamp of approval on the quality and methods of its products and services, and as a corollary that the management of that company is sound and capable.

When the term "profit" is used to mean the real value of the services rendered to others over and above the value of the services received from others, the basic and major purpose of management is to make profit.

The overall profit made by a company is merely the sum total of the individual efforts of its many employees. The greater the number of individuals in the organization who produce more than they consume, the greater the profit of the company and of the individual employees themselves. Thus, the fundamental job of management is to increase the value of the contribution of each member of the organization—i.e., to increase their productivity.

We have learned that productivity can be raised most effectively and most consistently when the methods used inspire the will and the desire to work and when the rewards are shared with all who contribute to the overall objective. In other words, the time has arrived or is very close at hand when the management which hopes to operate at a profit will do so only by employing those methods which inspire each and every worker to do his part.

Managing Management

Management that is competent, management that is continually increasing its compentency in line with the growing requirements and complexities of the executive job, management that is providing an adequate reserve of qualified and trained successors, does not just happen. An organization has to manage its affairs in such a way that specific provision is made, plans and programs established, so that the kind of management situation which we are discussing exists. Such a management can be planned and it can be reasonably well assured with conscious and continuous effort. It can, however, no longer be left to chance.

A Management Program for Good Management

Here are measures which a management can take which will certainly contribute to increasing the effectiveness of present management, to preparing management people for the assumption of greater responsibility, and to developing potential managers for their first supervisory obligations:

(1) Reduce to writing a clear-cut, comprehensive statement of why the company is in business—**what its purpose is.** In arriving at this statement of company purpose, clarification of the basic business philosophy of the institution is inevitable. It is obviously difficult for any group of people to formulate a written statement of purpose, which is to become an open document, without arriving at a relatively high purpose.

(2) Reduce to writing an official company statement of **the nature of management and its responsibilities,** and include in this the recognition that management is a specific activity requiring certain basic attitudes, qualifications, and preparation.

To some, it may seem strange that this is a requirement. They may assume that this is recognized throughout the company without putting it into writing. That, however, is seldom the case. If a management really has as a basic policy the belief that management requires certain qualifications and certain preparation, then that makes it perfectly clear that the time and the means for identifying these qualifications, on the part of the individuals, and for providing the preparation that is needed, must be made available.

Taking a careful inventory of the qualifications, needs, and compensation of present and potential executives takes considerable time and effort. The correct answers cannot be arrived at in incidental conversations. It is rather significant that the appraisal of an individual as to his competency to fill a certain position is quite different when the position is open than when it is not. Further than that, the education and training of management means, to some extent, time away from the job. If time so invested does not bring a greater return as a result, then the media used should be questioned.

If it is perfectly clear throughout all levels of a management team that adequate qualifications and preparation are required, then a lot of the present reticence on the part of some to do what is necessary would be reduced.

(3) Establish a current and effective means for **appraising the caliber of overall management, of individual members of the management team, and of potential managers.**

There are many systems of executive appraisal and inventory being used today. They vary greatly in their effectiveness. Before any management adopts an approach to this problem of formal appraisal, a very careful study should be made as to how best it should be done. There is no one system which meets the needs of all companies. One should study those that are available and then tailor-make their own system.

There are very successful programs of executive appraisal in some electric utility companies. They have been in operation long enough to have been reasonably well established as successful. There is adequate evidence of their effectiveness and benefits. I regret that time does not permit detailing one or two of them, but they are available to those who indicate an interest to know more about them.

(4) Put into effect a management development program, which is clearly spelled out in all the details of objective, procedure, and responsibility, which will: develop the kind of management climate in which good management and competent managers can flourish; carefully select, educate, and train prospective managers; develop present managers for better performance in their current jobs and for the asumption of greater responsibilities; provide adequate executive incentive and compensation.

Here again is a very broad subject about which there is much to be known. Programs of management development are not a recent innovation in American business and industry, but interest in them and adoption of such programs has spread with an intensity unequaled by any other management activity since World War II.

There is a wealth of experience available in the field of management development. There are also adequate means for discovering what this experience and knowledge is. There are people in many companies who are devoting their full time to this activity and who are free and willing to make their experience available to others.

American management is literally going back to school. A year ago, it was my privilege to complete a study on management education for presentation at the Ninth International Management Congress in Brussels, Belgium. The work being done in this area by our universities and colleges, by the companies themselves, by professional associations, and by management consultants is nothing short of phenomenal. It is impossible for anyone engaged in this activity to keep up with the demands for help from American management.

There is a continually increasing number of executives being appointed full time to this work within their own companies. They are constantly increasing their own knowledge and expertness. They are exchanging experience openly and freely. If you do not know what you need to know about what is going on in this kind of work, that too is available upon request.

(5) Become well acquainted with, and make full use of, all the means—both within and outside the company—**for broadening the viewpoints of the management team,** for helping executives acquire an awareness of the local, national, and international forces that are influencing their decisions and activities; for acquiring the skills of management; and for developing competence in the use of the tools of management.

Every time it is my privilege to meet with a group of top executives for the purpose of discussing what they consider to be the greatest needs of their management people, there seems to be unanimity that a greater awareness of what is going on about us is necesary. We become so involved in our own jobs within our own company that we do not see what is going on about us. It is absolutely necessary that conscious effort is made to do those things which keep executive people well informed over and beyond their own particular jobs, companies, and communities.

(6) Set up formal and **continuing research projects in management attitudes and techniques** and in specific fields of human relations. In doing so, establish a favorable ratio of expenditures to the funds expended for other types of research.

If it were possible to determine the total amount of money spent annually for product research and development and that which is spent for human research and development, it is quite possible we all would be rather shocked. We would be particularly concerned if we fully realized the far greater potential return for dollars spent in finding out what motivates people and how they can be influenced to put forth their greatest effort in organizations such as business and industry. We haven't begun to tap the creativeness and productiveness of human, mental, and physical effort. It seems incredible that any company can consider its future as safe when it does not put a proper amount of time and money into human research.

Summary

In this presentation, it has been my attempt to point out that management is an activity in itself and that competence in it requires certain qualifications and preparation; that competent management which can meet the competitive and unlimited markets ahead will not just happen; that it is possible to have skilled management and adequate management reserves in an electric utility industry or, for that matter, in any other industry by the adoption of certain basic policies and programs. It has further been my effort, by the presentation of certain fundamental questions, to help determine the need for any specific effort on our part to do anything about the caliber of the management team. If this presentation has done nothing more than to inspire further inquiry and interest, then it has attained its purpose. It certainly has not been my intention to supply all the answers. Actually, that is beyond the competency of any human being, but there is much room for valuable research in this kind of endeavor.

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CHICAGO, Ill.—Paul C. Kimball announces the formation of Paul C. Kimball & Co., at 209 South LaSalle Street, to conduct a general securities business and to engage in the underwriting and distribution of securities and in private placements.

Paul C. Kimball

Mr. Kimball is well known in the securities business and brings to the new firm a wide and diversified background. He was formerly syndicate manager for Sills, Fairman & Harris and handled the underwriting and distribution of securities for many prominent companies. Previously, he was with Van Grant & Co., investment bankers, Detroit, and R. H. Macy, New York department store.

Mr. Kimball is a director of Standard Factors Corporation, Federal Manufacturing and Engineering Corporation, and Bethlehem Foundry and Machine Co. He is director and Treasurer of Ampco Metals Co., of Milwaukee, Wis.

Mr. Kimball is a graduate of the University of Utah, where he was elected to Phi Beta Kappa and received a Rhodes scholarship.

With Daniel Reeves

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—John P. Slemo has been added to the staff of Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Benjamin E. Ambrose is with Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Two With Walston Co.

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Raymond S. Whitmore and Ethan Bernstein have been added to the staff of Walston, Hoffman & Goodwin, 1157 Fulton Street. Both were previously with Davies & Co.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Guaranty Trust Company of New York announced on June 6 the reelection of **Charles E. Wilson** as a director. Mr. Wilson served on the bank's board during two previous periods. He was a director for three years prior to World War II, resigning in 1942 to become Vice-Chairman of the War Production Board. He returned to the Guaranty board in September, 1944, and served six years until his appointment in 1950 as Director of the Office of Defense Mobilization.

Announcement is also made that the Board of Directors of Guaranty Trust Company declared on June 4 a quarterly dividend of $3.50 per share on the capital stock of the company for the quarter ending June 30, payable on July 15 to stockholders of record at the close of business June 13. The previous payment was $3 on April 15.

* * *

The election of **Walter V. Keeling** as an Assistant Treasurer of **The Marine Midland Trust Company of New York** has been announced by **James G. Blaine**, President. Mr. Keeling was formerly with the Commercial National Bank & Trust Company of New York and more recently with the Bankers Trust Company. He will be head of the Marine Midland's Credit Department. Others appointed at this time at the Marine Midland Trust Company included Herman J. Allhusen, Midtown Office; and Robert B. Decker, Comptroller's Department, Assistant Treasurers; and Russell S. Carrigan, Trust Department, Assistant Secretary.

* * *

Sr. Pelayo Garcia Olay, Consul General of Spain in New York, was guest of honor at a small reception, on June 6, to mark the opening of an exhibit of Spanish products, services and transportation facilities in the 15 Rockefeller Center display windows of **Colonial Trust Company** at Avenue of the Americas and 48th Street, **New York**. The exhibit is sponsored by the Commercial Office of the Spanish Embassy in Washington, D. C., and Sr. Garcia Olay represented the Ambassador of Spain, Jose Felix de Lequerica. Arthur S. Kleeman, President of Colonial Trust Company and host at the reception, stated that the display had been arranged as a tribute to the bank's correspondence in Spain and as a means of focusing attention on the economic and strategic desirability of increased two-way trade between the United States and Spain. The exhibit is the outgrowth of a recent trip to Spain by Mario Diez, Vice-President in charge of the bank's International Division.

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As a result of the sale of $52,000 of new stock, the **National City Bank of Long Beach, N. Y.**, has increased its capital from $260,000 to $312,000. The enlarged capital became effective May 16.

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Robert J. Kiesling, President of the **Camden Trust Company of Camden, N. J.**, has announced that a special meeting of stockholders will be held on June 18 to act upon a recommendation of the board of directors with reference to an increase in common capital stock through the sale of additional common, the proceeds of which will be used to retire 250,000 shares of preferred stock at the retirement price of $10 a share plus accrued dividends. Under the proposal, it is stated, the stock will be increased to $2,500,000, from $1,875,000 through the sale of 125,000 new shares. Rights to purchase the new stock at $20 a share will be issued to common holders on a basis of one share for each three owned.

* * *

In commemoration of its 50th anniversary, the **West Side Trust of Newark, N. J.**, has issued a booklet incident to the occasion. It is noted that the West Side Trust Company commenced business June 2, 1902, and "its name was chosen because of the fact that the section of Newark west of Broad Street and extending to the limits of the city was known as "The West Side," and that name is likewise carried by a park, and businesses located in that territory. The bank also has three other offices in the city. From the booklet we also quote:

"Historically, the South Side Office of West Side Trust Company was originally the South Side National Bank and Trust Company, and the Peoples Office was originally the Peoples National Bank. Both banks were organized by West Side Trust Company, and all three banks had the same Presidents, and were merged with West Side Trust Company in 1934. Previously the business of the Padula State Bank had been merged with the Peoples National Bank. The Hawthorne Avenue Office had originally been organized as the Hawthorne Avenue Trust Company, and had merged with West Side Trust Company in 1929."

Joseph Goetz was President of the West Side Trust Co. when it began business; he was succeeded by Frederick W. Paul, who served in the Presidency from 1905 until 1909. Mr. Paul declined reelection as President in 1909, and was again elected a Vice-President, serving in that capacity until 1944. As President, he was succeeded in 1909 by Meyer Kussy, the latter holding the office until 1928, when he was succeeded by Ray E. Mayham. Mr. Mayham had been elected Comptroller of the company in 1920, and became assistant to Mr. Kussy. He was elected a director in 1922, Vice-President in 1924, holding that post until his election as President in 1928. Since 1942 he has been elected Chairman of the Board and President, and is now the senior director in years of service. He is also the dean of Newark bank Presidents and the senior member of the Clearing House Committee.

* * *

An addition of $100,000 to the capital of the **First National Bank of Sayerville, N. J.**, has increased it from $100,000 to $200,000; part of the addition was brought about by a stock dividend of $50,000, while the further $50,000 resulted from the sale of new stock. The enlarged capital became effective May 29.

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As of May 29 the **Citizens National Bank of Towanda, Pa.**, increased its capital from $150,000 to $300,000 by a stock dividend of $150,000.

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On May 31 announcements was made by the Board of Governors of the Federal Reserve System that as of May 26 the **Wilmington Trust Company of Wilmington, Del.**, a state member, and the **Farmers Trust Company of Newark, Del.**, an insured non-member, merged under the charter and title of Wilmington Trust Company. A branch was established in the former location of Farmers Trust Company of Newark.

Four officers of **The Bank of Virginia** were promoted and two new Assistant Cashiers were elected by the Board of Directors at the meeting held June 6 at the bank's 8th and Main Streets office in **Richmond, Va.** Aubrey V. Kidd was advanced from Cashier to Vice-President. William T. Gordon and Lewis P. Thomas were promoted to Vice-President and William L. Tiller to Assistant Vice-President. Charles R. Burnett, Jr., and Walter C. Edwards, Jr., were elected Assistant Cashiers. Mr. Kidd was made Assistant Vice-President Jan. 19, 1945, Comptroller on Oct. 1, 1946, and Cashier on Jan. 10, 1947. Since Jan. 1, 1950, he has been Secretary of the Board of Directors and of the Executive Committee. He holds a Certified Public Accountant's certificate dating from 1930. Mr. Gordon, who joined the bank on May 1, 1936, was on active duty with the Navy from 1942-45. With his return to the bank, he was elected an Assistant Cashier in 1945 and an Assistant Vice-President in December, 1949. Mr. Thomas joined the bank's staff upon graduation from Roanoke College in 1937. From August, 1942, to December, 1945, he was on active service with the Armed Forces. He was named an Assistant Cashier in 1945 and an Assistant Vice-President in August, 1949. Mr. Tiller joined the bank on Dec. 7, 1937. After work in various departments, he was on active duty with the Armed Forces from Oct. 10, 1942, to March 1, 1946. Since then he has served in various posts, becoming an Assistant Cashier in December, 1949.

Mr. Burnett, on active duty as a naval officer from 1941-45, worked for three years with the Chemical Bank and Trust Company of New York, then for Flight Research Engineering Corporation. He joined the Bank of Virginia in April, 1949, working as a commercial loan interviewer until January of this year; he has since been in the Commercial Development Department. Mr. Edwards joined the staff of the bank in January, 1950, serving since as manager of the Sales Finance Department at the West Broad Street bank.

The directors of the **American National Bank and Trust Company of Chicago**, at their June 11 meeting transferred $1,000,000 from undivided profits to surplus, bringing total capital and surplus to $10,000,000, exclusive of undivided profits and reserves. "Chicago's continuing growth in industry and commerce requires expanding banking facilities, and the latest increase in the American National's capital structure will place it in a better position than ever before to contribute to Chicago's and the middle west's progress," Robert E. Straus, Executive Vice-President of the bank, said. When the bank moved to its present location at La Salle and Washington Streets on Dec. 4, 1933, its capital was $1,000,000, surplus was $250,000 and the bank occupied four floors. Capital now stands at $4,000,000, surplus at $6,000,000, and eight floors are occupied. All of this increase it is stated came from earnings with the exception of $1,000,000 from the sale of additional stock. Deposits of the bank when it moved to Las Salle Street totaled $15,000,000. As of June 11, 1952, deposits totaled over $255,000,000. The American National is now a correspondent for other banks in 29 states.

Executives of the American National are active in banking and other professional societies and in education. Kenneth R. Wells, Vice-President in charge of the industrial loaning division, is the newly elected President of the installment lending division of the Illinois Bankers Association, and Allen P. Stults, Vice-President in the commercial loaning division is the new President of the Chicago chapter of Robert Morris Associates. A. M. Strong, Vice-President in charge of the foreign department is President of the Importers Association, Inc., of Chicago, and Chairman of the Executive Committee of the international trade section of the Illinois Manufacturers Association. Louis W. Fischer, Vice-President in charge of the probate and personal trust division, is immediate past President of the Corporate Fiduciaries Association of Chicago and a past President of the Chicago Life Insurance and Trust Council.

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The sale of new stock to the amount of $100,000 and a stock dividend of $100,000, have served to increase the capital of the **First National Bank in Big Spring, Texas**, from $200,000 to $400,000, the new capital having become effective as of May 23.

Robt. Millonzi Will Resume Private Law

WASHINGTON, D. C.—Robert I. Millonzi has tendered his resignation as a member of the Securities and Exchange Commission and will return to private law practice with his firm of Diebold & Millonzi, Buffalo, New York. He had been appointed to the Commission to fill out the final year of the term of Commissioner Edward McCormick, now head of the New York Curb Exchange. No successor has been nominated for Mr. Millonzi as yet.

Robert I. Millonzi

Joins Bennett Staff

(Special to The Financial Chronicle)

HOLLYWOOD, Calif.—Edward T. Maloof has joined the staff of Bennett & Co., 6253 Hollywood Boulevard.

C. A. Botzum Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—James E. Keogh is now with C. A. Botzum Co., 210 West Seventh Street.

Dempsey-Tegeler Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Jay B. Cook has become affiliated with Dempsey-Tegeler & Co., 210 West Seventh Street. He was formerly with J. Barth & Co.

Canadian Securities

By WILLIAM J. McKAY

Just how much capital investment there has been in Canada in last quarter century may never be correctly determined, but a wealth of source material in this connection has recently been made available through the publication of a detailed study, entitled "Private and Public Investment in Canada, 1926-1951" published by Canada's Department of Trade and Commerce under the direction of O. J. Firestone. On the basis of the data contained in this publication, the May issue of the Canadian Bank of Commerce's "Commercial Letter" furnishes some interesting and informative material, indicating the rapidly growing volume of both domestic and foreign funds that have been applied to build up the Dominion's resources and productive capacity. According to the "Commercial Letter":

"Canada has made prodigious strides within the past 25 years to emerge from an essentially agricultural into an **industrial-agricultural** economy. It is with the capital aspects of this development that this 'Letter' is concerned.

"The past 12 years have witnessed two major and outstandingly successful adjustments by, and in, Canadian industry. The first converted an economy relatively unprepared for war into one of the free world's main sources of **materiel**. The second, the transition from war to peace, was made under conditions which in some respects were even more complex. The third adjustment, involving problems common to the two preceding periods, has now been embarked upon, and since some re-channeling of investment funds has already occurred as a result, it is of interest to examine the course of investment in the two preceding periods.

"Rapid expansion of productive capacity, particularly in manufacturing, marked the war years 1939-1944. Existing industries were greatly enlarged, new industries such as artificial rubber, magnesium and roller bearings were created, and certain others, such as aircraft, which were on a small scale before the war were so greatly expanded as to constitute practically new industries. In addition, great advances were made along technological lines. The result was that, at the peak of war-time activity, production was double the pre-war (1933-39) average. An abundance of natural resources, the initiative and skill of those charged with the task, and the aid and direction provided by the government all contributed to this achievement, but, as always, capital investment funds were a determining and indispensable factor.

"Between the outbreak of war and V-J Day new investment by business in plant, machinery and equipment is estimated to have exceeded $4.5 billion, of which $3.3 billion was for direct war purposes. A substantial part of the latter was financed by the government, which expended $754 million on industrial plant expansion, of which about three-quarters was on wholly-owned Crown companies and the balance on equipment installed, on a rental or loan basis, in privately-owned plants. It is estimated that, in addition, over $500 million was privately invested in war-time projects as a result of special tax credits and allowances for depreciation and depletion, and a similar amount for tooling costs and related expenditures was made chargeable to current expenses.

Canadian industry entered the past-war period with greatly expanded plant and efficiency, an increased labor force, improved working conditions, and greatly diversiifed skills. The peacetime use of this increased capacity posed certain problems, however. Data collected in connection with a numerically small but productively important section of industry that had been engaged on war production indicated that the establishments involved fell into three main classes: (1) plants requiring modernization, expansion and **minor** adjustments to peacetime production, and which constituted 56% of the total; (2) plants requiring conversion involving **major** adjustments (39%); (3) those not usable, including those dismantled and kept in reserve (5%).

"All told, about $2.2 billion worth of the $3.3 billion of capital expenditure on war-time production was readily adjustable to peace-time use, and in the majority of industries at least two-thirds of their war-time-acquired equipment had peace-time utility. War-time expansion, had, therefore, created the equipment for peace-time production nearly two-thirds greater than pre-war.

"The effective application of this productive capacity was, however, contingent on a number of factors, chief of which was the investment involved in the necessary conversion outlined above. In order to speed up and generally facilitate this adjustment, certain fiscal incentives were offered, including the provision (actually effective late in 1944) for accelerated depreciation on industrial investment designed to aid the reconversion, modernization and expansion of Canadian industry in the transition period. This last was intended to encourage industrial growth, which might have been inhibited by the fear of a postwar depression. Only industrial investment of the most urgent type was provided for. However, the rate of investment and the improvement in production were such that the issuance of certificates under the provision was discontinued at the close of the 1947 fiscal year, up to which time $1.4 billion had been approved.

"In a period of 'normal' conditions, expanding capital investment presupposes an optimistic appraisal of the economic outlook on the part of both the businessman, who invests to increase or improve his production, and the consumer, who seeks to enlarge his pattern of consumption and particularly his store of durable goods. While the consumer's optimism is often a reflection of the producer's (though it may be argued in some instances that potential demand encourages industrial expansion) he may have other, and even more urgent, reasons for investing in durable goods, particularly under conditions such as have existed during the past six years of high family formation. Public (government) investment ought to complement private investment, under the fiscal policy laid down in 1945; theoretically at least, that is to say, it should vary inversely with the volume of private investment so that the aggregate is relatively stable, a condition now deemed essential for 'normal' times. (Obviously, various constructions may be placed upon 'normal.' To a large section of the population, whose lifetime has coincided with a period of two world wars, two postwar periods of adjustment and a major depression lasting the greater part of a decade, instability becomes the norm and even relative stability something to be aimed at but not likely to be achieved within one's lifetime.)

"During the postwar period of heavy investment there existed not only this desire on the part of both business and individuals to expand their stores of goods, but also certain other factors favorable to a high level of investment. These were mainly the abundance of wartime savings, much of which was available for investment, relatively cheap money and considerable encouragment from government authorities."

NEW INVESTMENT IN CANADA ($ million)

	Housing Private and Public	Total New Investment Private	Total New Investment Public	Repair and Maintenance
1926	212	747	170	498
1929	247	1,176	342	603
1933	76	217	110	353
1937	175	579	249	506
1940	200	726	322	580
1942	223	899	643	759
1945	286	922	362	989
1946	413	1,286	417	1,080
1947	540	1,941	548	1,244
1948	668	2,372	803	1,461
1949	776	2,559	943	1,540
1950	845	2,830	993	1,638
1951	840	3,373	1,208	1,870

Continued from first page

As We See It

ingly intelligent man, and a man who often has the courage to take obviously needed stands on questions which usually frighten the professional politician out of his wits. Yet, to speak with the utmost candor, there is a good deal in the Taft political credo which must either be labeled "me-too-ism" or else set down as so vague and uncertain as to offer nothing in the nature of a guarantee of a full rejection of the basic philosophy of the New Deal and the Fair Deal.

The General!

This brings us to General Eisenhower, who is the Republican candidate most in the public eye at the moment. What is the thoughtful man to think of this soldier-recently-become-civilian candidate for the highest office of the land? Obviously, the prudent man will insist upon waiting for more information than can be drawn from a short week or two of observation. The General has always been known as a man of personal charm, of engaging frankness, and as one gifted with the knack of working with people. Without these, he could never have accomplished the tasks that stand to his credit in World War II. The question in most men's minds concerns rather his grasp of the larger affairs of the country and of the world, and his willingness and his ability to apply plain ordinary common sense to the multitude of varied problems which always crowd a President's desk.

The General has, so it seems to us, during the past week or two in formal address and interview laid a basis for further elucidation which, if it faithfully follows out and implements what has so far been said, ought to go far toward establishing the candidate as a statesman. Of course, he has often been speaking in generalities which could mean much or little. At other times he has come up with a refreshing "I don't know." His frankness further in saying that he should have to inform himself, obtain the best advice available, or think over some of the issues put to him are all on the credit side of the ledger. We should be inclined to say that much more than this could hardly be expected of the candidate at this point. We shall certainly follow with great interest such amplifying utterances as he makes during the next month or two—and, of course, longer than that should he become the Republican nominee—and we are sure that other thoughtful citizens of the United States will do likewise.

Meanwhile, it would appear that the General has pointed clearly and wisely to a number of issues which must be resolved if we are to survive and prosper in the years ahead, a number of conditions and dangers which must be overcome without delay. We believe that the reader who carefully studies the first "political speech" of candidate Eisenhower in Abilene will find a good deal to reward him. He will discover, or so it seems to us, a number of implications which if fully developed and made explicit in the weeks to come will be quite heartening. Take this passage, for example:

". . . We see an increasing trend toward unreasonable antagonism between economic elements of our own country—an indulgence in the fantastic notion that any major part of our society can long prosper unless the whole enjoys prosperity.

"This is a danger that is far easier to intensify than to reduce by depending exclusively upon legislation. Unless all of us are prepared to apply responsible citizenship to our problems, the alternative is resort to masses of punitive laws. Such a process will be costly, futile, and stupid; if long pursued it can end only in regimentation of all workers and bureaucratic control of all means of production.

"The settlement of disputes and grievances requires —together, of course, with simple and clear legal processes —a climate of goodwill, an appreciation of good citizenship and responsible concern for all the people—and—most important — public confidence in the fairness and impartiality of appointed agents and agencies.

"More benefit for America is to be found in an ounce of real leadership and honest speech than in a ton of law that fails to reflect the considered will of the vast majority."

If the General means what he appears to be saying in these sentences, he has come fairly close to laying his finger on the basic cause of so much of the unrest of the day and of the labor troubles which are so constantly plaguing us—the eternal playing up to the supposedly vote-controlling labor leaders, the recurrent abuse of busi-

nessmen, the scorn of virtually all success, and the general lack of real public leadership and honest speech.

An Economy-Minded Soldier?

Then there are certain refreshing observations about public waste—including, we are happy to observe, waste by the armed services. Closely related are the comments about the tendency to try to do so much by governmental action. Again quoting the General:

"In a world threatened by war, a great portion of these [government expenditures] is inescapable, else we would stand helpless before the threat that hovers over the free world. But because necessary expenditures are so great, it becomes doubly necessary to see that waste, duplication, and extravagance are eliminated.

'These are the engines which propel the budget from a reasonable ceiling to a fantastic height. They must be eliminated. In particular, our entire arms program must be under constant scrutiny that not one dollar be spent without full value received. Armament, of its nature, is sterile; heedless expense is investment in bankruptcy."

These are encouraging sentences. Whether they and others like them, are to be taken at full face value is for the future to disclose.

Continued from page 14

The International Materials Conference: A Super Cartel

declining in recent months. The present price for July delivery in New York is 29 cents.

The current price for GR-S, the principal man-made rubber, is 23 cents a pound. The price for butyl man-made rubber is 20¾ cents a pound.

Assuming that shipments of crude rubber in the next year or so will range around 1,600,000 to 1,800,000 long tons a year, the probabilities are that the price of crude rubber will tend to approximate that of the man-made rubbers.

The less efficient crude rubber producers fear that they may have difficulty in competing with the man-made rubbers; the more efficient, that their profits may be substantially reduced. Some fear that ample supplies of all kinds of rubbers may ultimately mean what is called a "burdensome surplus" of crude rubber, accompanied by a lowering of the standards of living in the crude-producing countries.

Purpose of Rubber Conference

Early this month the ninth meeting of the International Rubber Study Group was held in Ottawa, Canada. This group was organized in 1944 for the purpose of providing a forum where representatives of the participating governments could meet from time to time to discuss the rubber position and problems without in any way binding the governments represented in the group.

Eighteen rubber-producing and consuming nations, including the United States, were represented at the 1952 meeting.

The record of the discussions at this meeting is restricted but I may quote from the press statement released on May 10:

"The group noted that many of its members were greatly concerned about the uncertainties of rubber production, consumption and price and, because of considerable variety of opinion as to the best method of attempting to solve these problems, the group resolved to pursue the matter by establishing a Working Party with the following terms of reference:

" 'To consider whether measures designed to prevent burdensome surpluses or serious shortages of rubber are necessary and practicable; to prepare drafts of any agreements required to implement such measures; and to report back to the Study Group as soon as possible.' "

If I correctly intepret the meaning of this statement, there are still leaders in certain nations in the world who believe that it may be possible, through inter-governmental agreements or cartels, to eliminate or to reduce the uncertainties of rubber production, consumption and price.

It is my firm conviction that if the time ever comes when these uncertainties have been removed, then we shall have been regimented to a degree far beyond the dreams of even the most optimistic of the present-day advocates of "planned economy."

I find it difficult to visualize a more effective way to stifle scientific progress and an expanding world economy.

Certainly, I am sympathetic to the grave political, social, and economic problems of the Far Eastern rubber-growing territories. The United States is now supplying substantial assistance to these areas in the form of military aid and through the Point IV program. However I do not believe that another rubber cartel will be in the best interests of the peoples of these areas. It is my conviction that restricting production of rubber will not provide a sound foundation for permanent improvement in the standard of living of these people or aid in their fight against communism.

Benefits of Free Market

What are the alternatives? It seems to me that the alternative that would be most beneficial to all peoples is clear. Instead of restricting production, we should make very effort to expand consumption. High prices restrict consumption: low prices encourage consumption.

For the first time in history, there is now an opportunity to find out what competition between the aggricultural rubbers and the man-made rubbers can contribute.

It is my opinion that the efficient crude rubber producer has little reason to fear that he cannot compete successfully with the man-made rubbers; the inefficient can survive by learning how to increase his yields and to reduce his costs.

Most of us in the United States believe that progress is made through producing better and better goods at lower and lower costs to the consumer, thus broadening markets, increasing employment possibilities, and bringing a constantly rising standard of living.

While we are hopeful that the government of the United States will never participate in an inter-governmental rubber cartel, we cannot be certain that our government's international agreements will always support the principle of competition.

In 1945, the State Department published a paper entitled "Proposal for the Expansion of World Trade and Employment." Then followed a series of international conferences which culminated in March of 1948 in the "Havana Charter" for an International Trade Organization, the ITO.

Chapter 6 of this Charter makes provision for inter-governmental commodity agreements in so-called "primary" commodities whenever international trade may be affected by special difficulties such as, and I quote, "the tendency towards persistent disequilibrium between production and consumption, the accumulation of burdensome stocks and pronounced fluctuation in prices." Of major interest to those of us in the rubber industry is the fact that a "primary commodity" is defined so that it can include our man-made materials and reclaimed rubber as well as the agricultural rubbers.

There were some who maintained that the executive branch of our government had authority to operate under this Charter without specific approval by Congress. However, the Charter was submitted to Congress for ratification and fortunately, I think, no action has been taken.

Nevertheless, we cannot be certain that the Havana Charter is dead, because the United States is now participating in inter-governmental commodity cartels which have never been submitted to Congress for ratification.

These cartels had their genesis in the world shortage of raw materials which developed as a result of the scramble for supplies following Korea, when industries in many countries were trying to build up stocks, and while governments were trying to add to strategic stockpiles and at the same time, except in the United States, maintain unrestricted production of civilian goods. You may recall that early last year the governments of the United States, the United Kingdom and France issued invitations to the principal producing and consuming countries of the free world to attend what became the International Materials Conference.

IMC: Super Cartel

This inter-governmental organization includes 28 member countries and has seven autonomous committees which apportion available supplies of some scarce essential raw materials of the free world, which direct in a general way the usage each country may make of such materials, and which seek to stabilize prices. Thus far, the International Materials Conference, known as I. M. C., has no jurisdiction over rubber but controls have been extended over such materials as sulphur, nickel, copper, zinc, cobalt and tungsten.

The mechanics of the operation of the autonomous committees are quite simple. Each country which produces the material submits estimates of production. Each consuming country supplies details regarding its estimated requirements, including the various uses it intends to make of the material. Then the committee parcels out the estimated supply among the countries, with top priorities rightly given to the requirements of defense and of essential civilian industries. In essence, this is a CMP or controlled materials program on an international scale, with all of the defects inherent in such schemes including ultraconservative estimates of production and varying degrees of overstatement of requirements.

As a result of the International Materials Conference, there has come into existence a super cartel, in which our government is participating without the specific approval of Congress.

Surely everyone here knows of the inequities which are inevitable when governments take over the functions of the free market. The consumer's voice in determining which is an essential civilian industry is replaced by the judgments of a few men—judgments which will surely be swayed by political considerations. Decisions, which may cause great strains within our domestic economy, may go unchallenged until the damage is done. As one example, United States manufacturers are required to reduce automobile production because of a lack of copper while other countries may be allocated enough copper to increase their automobile production.

The powers of the I. M. C. with respect to direct measures which are designed to stabilize the price of a commodity are not entirely clear. The conference reports, however, that several of the committees have been aware that the problem of price could become one of the most serious problems affecting the distribution of available supplies and that some of the committees have considered price to be one of the pending problems.

Our government has stated that the commodity committees will be disbanded when the shortages end. But already some of the producing countries are insisting that if they participate in efforts to stabilize markets in time of scarcity, the consuming countries should cooperate in maintaining prices in time of surplus.

Hits ITO Charter

On Sept. 13, 1951, our government's representative to the Economic and Social Council of the United Nations, after making a strong attack on cartels, presented a resolution urging, first, that the Council affirm the principle formulated in the Hanava Charter of the ITO; and second, that a committee be set up to devise appropriate machinery to give effect to that principle. If the American people believe that cartels are harmful, should we support a Charter which provides for cartels and provides the machinery to put them into operation?

Since the International Materials Conference already has the machinery, it might be possible to continue it indefinitely. And that, gentlemen, may be the mechanism through which planners, always working behind the scenes on an international scale, could establish a basic revision ouf our American competitive economy.

How can such a catastrophe be prevented? Congress could—and I believe should—pass legislation which would limit the authority of the executive branch to participate in cartels. Such legislation is now being considered by Senate and House committees. And Congress can also see to it that Chapter 6 of the ITO Havana Charter is not revived. It is my suggestion that as individuals and for your companies — you write your Congressman an expression of your views on this important issue.

We are mindful, of course, that the United States and our Allies must obtain, somehow, adequate supplies of all of the materials which are essential to the production of military equipment. In time of actual emergency, when the civilian production of all Atlantic Charter countries is restricted and there is still not enough of a material to meet the military need, an IMC with defined authority would be necessary to insure fair distribution of the available supplies.

But I submit that there can be no justification for a cartel which restricts production of any commodity. That is the function of the free market. And it is also the function of the free market to encourage through profit incentives production of needed commodities which may be in short supply.

It is my sincere conviction that our country's competitive economy has always been the key to our productivity and progress. The basic form of Constitutional Government in the United States has been the foundation for this progress. Its essence is freedom.

So long as we have free people and free elections of government officials and free markets in the United States, I believe that the future of our country is secure.

But I believe that it is also important that we have "free elections" for the purchasing men of American industry, that no government controls, no international cartels be permitted to interfere with your free choice of materials, machines, products or sources of supply.

Chicago Municipal Bond Club Elects

CHICAGO, Ill.—Thomas W. Evans, Vice-President of the Continental Illinois National Bank and Trust Company, has been elected President of the Municipal Bond Club of Chicago for the 1952-1953 term.

Other officers elected to serve with Mr. Evans are Milton S. Emrich, Vice-President of Julien Collins & Company as Vice-President; Arthur E. Kirtley, Assistant Vice-President of The First Boston Corporation as Secretary, and Edwin A. Stephenson, Chicago correspondent of The Chase National Bank as Treasurer.

The following were elected as Directors: Andrew D. Buchan, White, Weld & Co.; Blair A. Phillips, Jr., White-Phillips Co. Inc., and Edward V. Vallely, John Nuveen & Co. The four Chairmen of the Standing Committees were appointed as follows: S. E. Johanigman, The Milwaukee Company, Program Committee; P. Alden Bergquist, The First National Bank of Chicago, Finance Committee; R. E. Simond, Jr., Halsey, Stuart & Co. Inc., Publicity Committee; and Thomas L. Kevin Glore, Forgan & Co., Attendance

Francis R. Schanck, Jr., Partne Bacon, Whipple & Co., has bee chosen to serve as General Chai man of the Annual Field D scheduled for the Knollwoo Country Club on Friday, Sept. 1

With Beil & Hough

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla. — Joseph W. Davis, Jr. has joined th staff of Beil & Hough, 33 Fourt Street North, members of th Midwest Stock Exchange.

Eisele-King Add Three

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—John J. Backes, Robert J. Jyman, and Stewart M. Riedinger have become associated with Eisele & King, Libaire, Stout & Co., 721 Gulf Boulevard.

A. M. Kidder Adds Many

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla. — Mrs. Joane Boris, Joseph W. Davis, Jr Mrs. Jane U. Mathews, Mrs. Florence E. Miller, Nathaniel S. Sanders and Richard S. Wessle have joined the staff of A. M Kidder & Co., 400 Beach Driv North. Mr. Wessler was former with Geo. Eustis & Co., in Cincinnati.

With Shaver & Co.

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.— James K. Wiley has become connected with Shaver & Co., Florida Theatre Building.

La Salle St. Women Elect New Officers

CHICAGO, Ill.—At the annual meeting of La Salle Street Women, held on May 13, the following officers were elected to serve during the 1952-53 year: President, Miss Eleanor B. Karcher, of Channer Securities Company; Vice-President, Miss Joan Richardson, of Glore, Forgan & Company; Treasurer, Miss Doris Nagel, of Carl McGlone & Co. Inc.; Recording Secretary, Mrs. Florence V. Emerson, of Financial Personnel Service; Corresponding Secretary, Miss Ruth Thunstrom, of Patterson, Copeland & Kendall, Inc.

Eleanor B. Karcher

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

A group headed by Halsey, Stuart & Co. Inc. on June 6 offered $2,850,000 of Minneapolis, St. Paul & Sault Ste. Marie RR. 3⅛% equipment trust certificates, series A, maturing semi-annually Jan. 1, 1953 to July 1, 1967, inclusive. Issued under the Philadelphia Plan, the certificates are priced to yield from 2.10% to 3.35%, according to maturity, and are being offered subject to approval of the Interstate Commerce Commission.

The certificates will be secured by new standard-gauge railroad equipment estimated to cost $3,-590,191.

Other members of the offering group include R. W. Pressprich & Co.; The Illinois Co., and McMaster Hutchinson & Co.

John A. Dawson Named Head of Baptist Convention

CHICAGO, Ill.—John A. Dawson, of Chicago investment trust dealer and member of the Midwest Stock Exchange, was just elected President of the American Baptist Convention. As a business man and laymen, he has been active on La Salle Street for 21 years and is head of John A. Dawson & Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The disapopinting reception for the non-marketable 2¾% due 1975/80, with its small amount of cash subscriptions was undoubtedly responsible for the forthcoming $3,500,000,000 of new money financing, complete terms of which will be announced by the Treasury next Monday. According to reports, this money will be raised through an intermediate term maturity which would be eligible for purchase by the commercial banks. This probably means an issue with a maturity of between five and nine years. There might even be a reopening of the 2⅜s due 1957/59.

The indicated intermediate-term maturity had an effect upon the whole list, especially the outstanding 2⅜s due 1957/59, the 2¼s due 1956/59, and the 2½s of 1956/58 and the coming eligible 2¼s due June 15, 1959/62. All of these issues gave ground because the market was trying to adjust its position to the impending new offering. Although the financial community will not have the answers to the new financing, until the Treasury makes them public next Monday, the action of the market should determine whether it will be a 2¼% or 2⅜% obligation.

The government market is trying to assess the results of the small amount of cash the Treasury raised in the conversion offer. as well as the impending financing. What has taken place was not entirely unexpected and to a considerable extent prices of Treasury obligations have discounted the absence of interest in the exchange of the marketable 2½s for the non-marketable 2¾s and the new cash offering. It is evident that there is no appetite for non-marketable Treasury obligations, especially at this time. Whether this lack of interest means the end of Treasury financing by non-marketable securities is something that time will answer, but the betting at the moment is that future financing by the government, for a long time to come, will consist only of fully marketable obligations.

Despite the downtrend in quotations of most government obligations because of the conversion uncertainties, the concern over June 15 income tax payments and the new deficit financing, there have been rallying tendencies here and there which should help the market regain its equilibrium. Although the restricted issues continue to hold the spotlight, the bank obligations appear to be ready to take over the market leadership.

Last of Non-Marketable Issues?

The non-enthusiastic reception given the exchange offer by holders of the last four maturities of the restricted 2½s, seems to have sounded the "death knell" for non-marketable financing. There never was a great deal of enthusiasm around for non-marketable issues despite the fact that the first exchange offer turned out pretty well. Conditions at that time were different than they were recently, but at that, many refused to go along with the conversion because of the lack of marketability for the new bond that was being offered. To be sure, marketable securities can be obtained by the conversion into five-year 1½% notes, but this does not appear to have a great deal of appeal. Whether a slightly higher rate of interest than 2¾% would have made much difference is very questionable, because it seems as though the absence of marketability is the biggest drawback to such an issue.

As announced, the Treasury figures showed that $1,757,759,-000 of the new non-marketable 2¾s due 1975/1980 had been subscribed to, in exchange for the last four maturities of the restricted obligations. Of the total subscriptions, $450,399,500 was for cash, and of these cash subscriptions, government pension and trust accounts put up $132,000,000. Evidently straight cash subscriptions, exclusive of those accompanied by bond exchanges, were only in the neighborhood of $15,000,000.

Also it seems as though the Federal Reserve Banks, owners of more than $700,000,000 of the eligible marketable 2½%, did not see fit to go along with the conversion offer this time. Large insurance companies and savings banks, according to reports, made what was termed "modest exchanges." These institutions as well as many other non-bank investors appear to have about all the non-marketable Treasury issues they want for some time to come unless conditions are such as to bring about changes in these needs.

Bank Obligations Steady

Commercial bank obligations, although somewhat in the shadows because of the position that the restricted issues have taken in the picture due to the exchange offer, continue to move out of the market in what is termed "very satisfactory volume." At the moment, the issue which still commands the largest interest in the bank group is the 2½% due 1962/67. Demand for this bond has been on the fairly sizable side, although there has been no great inclination to step prices up in order to get bonds. There have been, however, instances in which this has taken place. The deposit banks in New York, Boston, Philadelphia and Cleveland, it is reported, have been the most active institutions in the bank eligible end of the market.

Traders, dealers and investors have been quite active in the June 1959/62, which become bank eligible next Monday. Commercial banks were reportedly very much interested in this obligation.

Continued from page 15

Business and Government—What Their Relations Should Be

who have become too big, but taxes are very efficient and desirable, too, in the hands of government. They not only pay our bills, but they give us an instrument by which we can reshape the pattern of life in this country more nearly to our conception of what the majority of the voters want.

"Our final reward is not in dollars or in profit. It is in votes, and the test of our success is that we be returned to office and entrusted with more power." That is the point of view of the elected officer.

Bureaucracy Is a Disease

We like to talk about bureaucracy and how bad it is, forgetting sometimes, that there is bureaucracy in business. It is a disease that can fasten itself on to any organization that requires large numbers of people to operate it. A man who builds a business attempts to serve his customers so successfully that they will pay him enough so that he can expand his service and thus expand his income. We like to say, we businessmen, that we operate in the public interest and that our success is a measure of our ability to meet the public interest.

Now, look at the fellow who is a government department head, or a bureau chief. He feels that his service is in the public interest. He can't go out and sell it to a customer for money, but he has to sell it to Congress and to the tax payers in the hope of getting a larger share of an appropriation. And many of these men — probably most of them — feel that the service they render is so valuable that citizens, if they were wise, would willingly increase their tax burden in order that this service might be increased.

We like to laugh at the bureaucrats and say that bureaucracy is a process which grows by accretion and puts a premium upon the building of mere situations. Sometimes, that can be said about businessmen.

So, as this very human desire for growth operates in two fields, it produces a conflict, produces distortion, misunderstandings, difficulties. We have finally come to the point in the United States where it has created competition, and, therefore, the conflict is a very real and practical thing and not a matter of theory.

Business and Government Share Same Weaknesses

A moment ago, I suggested that men in government and business share the same weaknesses. I would like to talk a minute or two about this problem of inflation in order to illustrate my point.

Men in business and government will agree that inflation is bad, but they won't agree on practically anything else about it. Men in government say, "Inflation is bad. It is bad because it reduces the consumer's purchasing power; makes it more difficult for him to satisfy his wants. Inflation was caused by business. Inflation is caused by high prices, and businessmen make high prices, and, therefore, businessmen cause inflation." And how do you cure it? Well, the government says that is easy, you just put a weight on prices and hold them down. Then you move to increase the purchasing power of the individual by wage raises or some other means and you restore the imbalance which should always have the purchasing power a little higher than the prices. That's how you cure inflation.

Well, the business people don't accept that at all. They say, "Inflation is caused by government. It is a phenomenon of the manipulation of the government's power to coin money, and inflation is 20 years old in America. It began as a deliberate program to cure the results of the depression and has continued ever since." In contrast, government says that inflation is a short phenomenon, and that we have only had two spots of it in this generation, one right after World War II, when business got greedy after price controls were taken off, and once since Korea started, when business attempted to exploit the possible needs of the people.

The business people say, not only that the government created inflation as a matter of deliberate policy by its manipulation of money and credit, but government alone can cure it. Government can cure it by reducing its size, by taking part of the tax burden off, by cutting off deficit spending, by applying indirect controls to credit and by drying up, or at least postponing this excess zeal of the consumer to consume.

Businessmen say inflation can be cured in part, at least, not by increasing consumption, as the government says, but by increasing production. Businessmen say that price controls should be taken off, or we will never be able to cure inflation until we get rid of it. The facts probably lie either somewhere in between or represent a combination of the two.

I am hurrying back to Washington, because we have begun to vote on the program which extends the President's powers to impose controls. We had our major test last Thursday on a motion to strike out price and wage controls. It was defeated, as I knew it would be. It was interesting. Last year it got about five votes and this year it got about 18. You would be interested to know the reaction of some of the businessmen, who are in Congress — and there are some—before the vote. I

voted to take controls off. I inquired of some of my friends as to how many were going to vote, and I was surprised to be told by some of them, "We can't afford to take controls off now." They gave two reasons. First, it is politically dangerous. The Administration can still create more inflation and beat us at the polls in November. But they also said, "We can't trust the businessmen of America. If we take controls off, they will move to create inflation."

So, you see, even men who have come out of business into the government, have come to accept the philosophy that businessmen, not government, create inflation.

Extremist Views of Government Functions

Then, we move into another area of interesting conflict that grows out of the fact that both government and business in the end exist, in a free nation at least, to serve the best interests of the citizen. Men on both sides have come to feel that their pattern, their program, is the most successful and the most efficient. There is a proposed Constitutional Amendment floating around the country. It has not been introduced in Congress, as far as I know, which provides that government must immediately withdraw from all activities which are in conflict or which are substitutes for services that can be provided by private business. That is one extreme.

Looking over in Russia, we see the other extreme where there is no place for private business and the right to serve the people is vested solely and completely in the government.

Are you ready to take either of the completely opposite poles? Are you ready to say that government may render no service to business for a price or profit? I am sure you are not ready to say that business has no right to serve the people. I think you are not ready for either position. And, then, the ultimate solution to that problem is not one of interdiction, but one of continuing adjustment. Are you ready to say, for instance, that the Federal Government should turn the post office service over to private business? I was very much interested to see that Admiral Moreell of Jones & Laughlin Steel Company made a speech and said he was ready to do that, but he is the only man I have ever heard make such a statement.

Are you ready to say that we shouldn't have municipal water plants? That other municipal services for which fees are charged should be discontinued and set up on a private basis? No, you are not, but you are disturbed when they say we should extend that idea of having municipal power plants, and so am I. It is hard to know where to draw the line, and that is our continuing problem.

Going into your own field, where I am an outsider and talking without too much knowledge, it seems to me that the problem is made more difficult by two conditions, which we cannot escape. The first is that there may be areas, there may be situations, there may be valuable developments, which on the face of them seem to be so vast, with the hope of reward so slim, that private capital cannot be induced to take them up. And where does the businessman come in on the government stand on that kind of problem? Well, to be specific, in my own state, we have such a problem. Ours is a semi-arid state. Water is our life. We have just about reached the limit of our development in drought, both populationwise and industrial, unless we can get more water. We have a source of water under the compact that we signed 30 years ago on which it divided the water of the Colorado River. We are entitled to a certain amount, but, in order to get it, it is going to take an investment now estimated at a billion three hundred million dollars.

I think the people of Utah are interested, fundamentally, in water, because they know that power can be produced from our vast coal fields as it is being produced by Utah Power & Light Company and from other sources, but we know that we can't get—we can't finance the irrigation development out of that part of the water unless there is a power development to take over a majority of the load. I don't know whether there is any private capital that would undertake to go in and build that system of dams, the power part of the project, and the aqueducts and the reservoirs that would have to be developed to supply the water where it can do us the necessary good.

As a businessman, should I say I will not support the use of government funds in that kind of a situation, and, if there are no private funds, then say that kind of a situation is impossible, it is desirable, but we shouldn't have it?

On the other hand, I think that there have been areas in your particular industry where there were human wants which you did not choose to satisfy because of the cost involved, because it was obviously impossible to make them commercially successful because they might have put a drain on your operations which would have destroyed them. But government stepped in. It has stepped in in both situations, the very large and the very small, and so you face the REA's today.

Looking back you might have done the thing differently, but there isn't any question but what in this matter of the ultimate service that the citizen or the consumer wanted there seemed to be situations in which the government was the more logical source of the solution.

There are a lot of other corollaries to that situation, and your industry is trying, today, to find the point which represents a reasonable, logical, profitable, desirable dividing line between the service of the government and the service of private industry.

Now, these represent three of the problems: the problem that grows out of a common motive; the problem that grows out of a common weakness, inflation; and the problem that grows out of an inevitable, overlapping competition.

How are we going to solve them? Well, some people say, "Let's pass laws." But if you depend on that solution, you put yourself in the hands of government, because it is government that passes the laws, and you can be sure that government will not pass laws which materially weaken itself, and strengthen a force that it considers to be antagonistic.

Well, you say, "Let's elect more businessmen to government. Let's fill Congress up with men who are favorable to our point of view." That is a desirable thing, but, when a man gets into Congress and takes the oath, he suddenly realizes that if he is true to himself and his oath, he cannot represent a single segment or a single point of view. There are many who do, and we look on them with a kind of contempt. We measure them as the tools and not the servants of the people.

I think there are some things that we can do. First, in this question of inflation, I think there is a principle involved. Now, can we find the fundamental truth which is represented by that principle? Can we find the real cause of inflation? Can we find the logical steps that must be taken to solve it? Then, have we the ability to wash out the political implications, the self interest, and apply the principle?

I can tell you that is going to be a real test of us as businessmen and of the American people, because the sad fact is that we have liked inflation, too, up to a point. We have liked it and the sense of progress and increase and higher goals that it has given us. We like government business. The government is the biggest purchaser and biggest customer. We like it. It is going to take a lot of courage to say that we are going to cut this off and that off, and we are going to reduce the flood of government orders. It is going to take more courage than the American people have, I am sad to have to report to you.

I have been sitting in the Senate now for a year and a half, and I have seen a few attempts by government to carry out the edicts of Congress and reduce expenses. Some of these edicts affected communities, individuals, and industries in my native state. In a number of cases, they have only affected one man or one service in a community, a few thousand dollars, but the reaction from the businessmen and citizens of the state has been automatic; they object to it. They don't want this man cut off. They don't want to lose the salary of these three or four people who work in the service in their town. And all of the pressure in the world that they can bring to bear comes down on me to restore it.

We have a number of very large government installations in Utah. The Federal government is the largest employer in the State of Utah, probably four or five times as big as the largest private employer. Can you imagine what would happen to me if I, as a Senator, said, "We will pick out some of these installations and eliminate them."? Well, knowing what has happened to me when I have had to stand and see a bureaucrat attempt to eliminate one employee, I can realize the weight of pressure against me if such action had a major effect on the income of the businesses of my community. And, yet, we are not going to be able to reduce the cost of government without firing somebody, without eliminating functions.

I want to pay a tribute, at this point, to Allan Kline, President of the American Farm Bureau Federation. I have only had one experience since I have been in the Senate when an organized group of people wrote in to me and said, " We are getting too much money from the Federal government. Here is a function you can eliminate. Here is an amount of money you can take out of the budget that would come to us, with our approval." The federation made that suggestion last year, and it was defeated both in the House and in the Senate. They made it again this year. It is not even being reported out by the appropriation committee. Why?

I voted for it, and when I asked some of my friends who didn't, they said, "Well, that is what the organization wants, but that isn't what the individual members want. The organization is not going to lose any money if we cut this function out. Their dues are going to go on just the same, but it is going to take money out of the pockets of their members. Their members won't stand for it."

So, you can't afford to make a reduction in the appropriation which is asked for by the representatives of the industry. We have got a long way to go if we are going to overcome that particular handicap, if we are going to be able to raise ourselves above what seems to be our selfish interest, and permit our representatives to vote safely for the long-range, common good.

We Must Have Principles

We have got to find principles, and, then, we have got to have courage to apply them. Then, when we talk about this question of bigness and realize that it is the product of common motive, and when we realize that the difficulties we face are the products of weaknesses that exist both in government, in men who work in government, and men who work in industry, we realize that there isn't any easy problem, that this is just another manifestation of the oldest problem in human life, the problem of the development of character, responsibility, the problem of overcoming selfishness, the problem that man faces in resisting temptation for an easy solution.

We have been very much worked up about corruption in government and men who have succumbed to that temptation. Men in government remind us that there couldn't be any corruption in government unless there was a concurrent corruption in industry. And they remind us—or they give the impression—that there is much more, because in addition to the corruption in industry, which affects government, there are many practices indicating selfishness which affect only the operations within industry itself.

I have already indicated my idea of the only possible solution, which isn't a solution but simply the development of an arrangement under which we can live together, a constant adjustment, a constant readjustment between these two forces, each of which seek to serve the citizen. We have to remember that politically and economically, as is the case in the physical world, there can never be a vacuum. And there will always be forces running in to fill a vacuum when it seems to develop. And it is a little bit trite, and maybe futile, to say it is your job in your particular industry, as it is the job of every other manager in every other industry, to see that the vacuum doesn't develop, and if it does, to do what he can to live with it until he can replace his services and make them more valuable.

Is there a court of last resort? Is there a force to which these conflicts can finally be referred? Well, we are very conscious of a court of last resort, today, because of the recent Supreme Court decision in the steel case. And we are very encouraged to realize that in this particular conflict, there was a principle, there was a court, there were men with character and courage to apply the principle and let the consequences come as they would.

In our problems, the court of last resort is not the Supreme Court. It is the supreme sovereign, the individual citizen, and if we have a point of view which is more worthy than that of the men who make their living in government, we can win it, if we have the ability to provide the leadership that it is going to take to win the final judge or citizen to our point of view.

What is the proper relationship between government and industry? I think it lies somewhere between the two extremes of which I have been talking. But interestingly enough, in our kind of government where the citizen is the final arbitrator, leadership outside the ranks of government itself can be affected. It can exist. It can operate. And you have that power, that right, that opportunity of leadership and therein lies, I think, your ultimate hope to solve this problem. You work much closer to the people who make up your organization than any man in government does. You meet them more frequently. You have a greater opportunity to teach them, if there are principles involved, and if there are weaknesses to be corrected. If government and business are ever to come into proper balance and to be maintained for the future in the kind of a relationship which permits each to operate effectively in its own sphere with a minimum of interference, it will be because men in industry with positions of leadership have the wisdom and vision to see the proper balance between government and industry and permit power in government where it is wise and necessary and then have the ability to win those with whom they work to that point of view.

Government and industry should not be opponents. They should be partners. I hope you have the ability and can provide the initiative to make that come true.

Louis Whitehead to Be Neergaard Partner

Louis H. Whitehead

Louis H. Whitehead on July 1 will become a partner in Neergaard, Miller & Co., 44 Wall Street, New York City, members of the New York Stock Exchange. Mr. Whitehead has recently been an officer of National Securities & Research Corporation. Prior thereto he conducted his own investment business in New York City.

Washington Bond Club Elects New Officers

WASHINGTON, D. C.—The Bond Club of Washington at its annual meeting and outing at the Bethesda Country Club, elected Millard F. West, Auchincloss, Parker & Redpath, President to succeed Edgar B. Rouse, Rouse, Brewer & Becker.

Other officers elected were Bernard J. Nees, Johnston, Lemon & Co., Vice-President; and Thomas L. Anglin, Mackall & Coe, Secretary-Treasurer. In addition to the officers the following were elected to the Board of Governors: Robert T. Norman, Stein Bros. & Boyce; Francis Hunter, Merrill Lynch, Pierce, Fenner & Beane.

The annual outing of the Club was attended by more than 300 members and guests.

J. W. MacCallum Opens

LUMBERTON, N. C.—James W. MacCallum is conducting a securities business from offices at 503 North Elm Street.

Leonard F. Ward Opens

MT. PLEASANT, Mich.—Leonard F. Ward is engaging in the securities business from offices at 714 East Broadway.

Franklin Escher

Franklin Escher passed away at his home on May 29th at the age of 71. Mr. Escher, a partner in the former firm of Dresser & Escher, was recently associated with Goodbody & Co.

Walter F. Keers, Sr.

Walter F. Keers, Sr., executive Vice-President of A. W. Benkert & Co., Inc., New York City, passed away on May 25.

Two With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Walter H. Broner and John S. Dickey have become affiliated with Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Mutual Funds

By ROBERT R. RICH

New Canadian Fund to Be Formed With Assets of Thirteen Million

The American mutual funds industry will have its third Canadian Fund next month, according to reliable information received by "The Chronicle" late Wednesday afternoon. General distributor of the new investment company, Canada General Fund, will be Vance, Sanders & Co.

Following a pattern established by Calvin Bullock's Canadian Fund, the new investment company will first be established as a closed-end investment company in order to stabilize and facilitate an initial stock offering of 1,350,000 shares (par value $1) at about $10 per share.

After the initial offering is completed, with Bache & Co. and Paine, Webber, Jackson & Curtis as principal underwriters, the fund will be open-ended with initial assets of approximately $13 million. The fund was incorporated in Delaware early this week.

Registration of fund's shares is expected late this week or early next week, with the initial offering to be made at the end of the first week in July.

The fund will invest in the common stocks of American and Canadian corporations who are primarily participating in the development of Canada's expanding economy. Boston Management and Research Co. will be the fund's investment advisor.

Officers of the new fund will be: Henry Vance, President; Robert L. Osgood, E. F. Ryan, W. F. Shelley, Vice-Presidents; Louis Gallinari, Secretary-Treasurer. Outside directors are expected to be Kenneth Isaacs, Trustee of Massachusetts Investors Trust; William Morton, Vice-President of State Street Investment Corp., and O. Kelly Anderson, President of New England Mutual Life Insurance Co.

The fund's Board of Directors will be advised by a Canadian Advisory Group, whose members are expected to be the Rt. Hon. Arthur Meighen, former Premier of Canada and presently Chairman of the Board, Canadian General Investments, Ltd., a closed-end Canadian investment company; Maxwell C. G. Meighen, President of Canadian General Investments, Ltd.; John St. Clair Dickson, senior partner of Dickson & Jolliffe, members of the Toronto Stock Exchange; the Hon. Raymond Lawson, Chairman of the Board of Lawson & Jones, Ltd.; Major General Albert Bruce Matthews, President of Excelsior Life Insurance Company of Toronto; and Oliver Baker Hopkins, a former Vice-President of Imperial Oil, Ltd., and former President of Inter-Provincial Pipe Lines, Ltd.

The two other mutual funds investing in Canadian securities are Calvin Bullock's Canadian Fund and Frank L. Valenta's Natural Resources of Canada Fund.

Hare's Ltd. Cuts Sales Charge; Other Concessions Made

Hare's Ltd., distributor for Aviation Group, Bank Group, Insurance Group and Stock & Bond Group Shares, this week announced increased commissions to dealers and lower sales charges to their clients on single purchases of $15,000 and over.

In addition, to special groups, **the quantity discount on sales charges will be determined by adding the amount of any new purchase to the amount of all previous purchases still held.** This additional concession will be made to employees' profit-sharing and pension funds, as well as educational and charitable organizations whose income is also exempt from taxation.

Individuals, trustees, guardians and the like may combine purchases for more than one of their accounts to obtain the benefit of reduced sales commissions provided the amount necessary to qualify is confirmed in a single retail sale.

Selling commissions for the shares of Hare's funds now range from 1.25% to 8.66%, with the dealer commission ranging from 1% to 6%.

BRIEFLY:

The Just Mention My Name Department: "Stop the Music," the comic Croesus of radio giveaway shows, will throw **fifty shares** of a well-known mutual fund into the hands of some winner on its next program. . . . **Already successfully** mailed to by one New York mutual fund retailer, the Gilbert Miller Theater patrons' list now has over **fifty thousand** names, mostly northeastern seaboard addresses. . . . **A well-known** stock market index closed recently at almost the exact point as on the same day a year earlier. No change! Distributors Group, **analyzing price movements** of all the stocks listed on the Stock Exchange, **reports during this same** period that 60% of them declined, 40% advanced. **Odds are 6-to-4** against the unsophisticated. . . .

After June 17, Wellington Fund shareholders will automatically receive distributions in stock unless they specify they want payments in cash. . . . **M. L. P. F. & B., who** sell no funds, **will** test the women's market for stocks and bonds this month with keyed ads in the "New Yorker," the New York "Times Sunday Magazine" section, "Women's Wear Daily" and in four women's fashion magazines. The advertising agency, **Albert Frank-Guenther Law** in New York, has done an incredibly good job on copy and layout. . . . **If the portfolio** of Group Securities' Common Stock Fund had remained **unchanged** the last two years, appreciation would have been 11%. **Actual** appreciation amounted to 21%. . . . **Today,** 60% of duPont's current sales are in **products** unknown or in commercial infancy 20 years ago, and **more than one-third of the earnings** of Union Carbide are from products and processes developed since 1939, Vance Sanders reports. . . . **This year,** America's privately-owned tax-paying businesses will spend about $1,800 million for **industrial research and development,** compared with $500 million in 1941, Vance Sanders adds. One more reason why privately-owned companies operating in the favorable climate of a competitive free enterprise system **can make** more and better goods for more people at a cheaper price.

Mutual Fund Notes

HAROLD STORY, President of the Wisconsin Investment Company, and Joseph T. Johnson, President of the Milwaukee Company, announced that Edgar, Ricker & Co., a wholly owned subsidiary of the Milwaukee Company, has become the distributor of Wisconsin Investment Company shares, and will undertake a nationwide sale of the stock. It is expected that after a special meeting of the stockholders of the Wisconsin Investment Company, that Edgar, Ricker & Co. will also become the manager of the fund. The services of Fernand Paternotte as investment counselor will continue to be made available to the investment committee of the Wisconsin Investment Company. This will be accomplished through an agreement with Glore, Forgan & Company of Chicago, with whom Mr. Paternotte will shortly become associated as Manager of their Investment Advisory Department.

UTAH FUND has filed an application with the Securities and Exchange Commission for an order that will declare it has ceased to be an investment company.

All assets and funds of the corporation have been distributed to shareholders and the fund has been dissolved. The fund was originally organized in Nov. 1945.

OPEN-END REPORTS

BULLOCK FUND reports total net assets on April 30, 1952, were $13,293,481 compared with total net assets of $11,647,680 on April 30, 1951. On April 30, 1952, investments owned had a market value of $12,625,165, compared with a cost of $10,460,369, indicating unrealized appreciation of $2,164,796. This compares with unrealized appreciation of $2,378,957 on the same date a year earlier.

Bullock Fund held 84.09% of its total assets in common stocks on April 30, 1952. The balance of total net assets was divided between U. S. Government bonds, 10.88%, and cash and equivalent, 5.03%. Largest group holdings in common stocks in approximate percentage of total net assets were petroleum shares representing 10.96%; railroads, 9.70%; utilities, 6.48%; steel, 6.45% and non-ferrous metals, 5.57%.

AMERICAN BUSINESS Shares reports net assets of $35,963,414 on April 30, 1952, equivalent to $3.97 per share, compared with net assets of $36,140,064 on Jan. 31, 1952, equivalent to $3.99 per share on that date.

Since the last quarterly report the following bonds have been added to the portfolio: American Tobacco 3s of 1962; American Tobacco 3¼s of 1977; Columbia Gas System 3⅜s of 1977; Illinois Power 3½s of 1982; Pacific Gas & Electric 3⅜s of 1985; Pacific Power & Light 3⅝s of 1982; United Gas 3½s of 1972; Province of British

Columbia 3⅝s of 1977; and Province of Nova Scotia 3⅝s of 1964.

Common stocks of Celanese Corporation and Twentieth Century-Fox Corporation were eliminated in the period, as was the holding of El Paso Electric 2⅞s of 1980.

TOTAL NET assets of Television-Electronics Fund at the end of the first six months of its fiscal year ended April 30, 1952, were $15,669,283, an increase of $3,376,358 during the second quarter. Rate of growth has continued in the second half of the fiscal year and assets now stand at $16,600,000.

Chester Tripp, President, in his report to stockholders called attention to the recent FCC assignment making available 2,053 television channels in 1,291 communities. The significance of the eventual expansion to occur because of this lifting of the freeze on television station construction can scarcely be overestimated, he said, but added that "there appears to be little chance that any major expansion can be anticipated over the very near term. However, in due time the FCC will in all likelihood have made satisfactory progress in unsnarling the technical complexities involved, so that more and more new stations will be servicing untapped areas as well as markets which have been only partially covered to date."

In areas where television is now available, only slightly more than 60% of the homes wired for electricity have a set, he said.

TOTAL NET assets of Dividend Shares on April 30, 1952 were $102,504,941, a gain of $5,177,731 since Oct. 31, 1951, the end of the company's 1951 fiscal year.

Net asset value per share of stock outstanding on April 30 was $1.82, compared with $1.79 on Oct. 31, 1951. Total net assets on Oct. 31 were $97,327,210.

Hugh Bullock, President, in reporting on the continued growth of Dividend Shares, said: "Barring sudden and significant developments in the international sphere, it appears likely that the economy will continue for some time ahead in its state of uneasy balance, though current indications point to a rising trend of business activity in the second half of the calendar year."

NET EARNINGS of Investors Diversified Services for the calendar year, 1951, were the second highest in the company's 58-year history, Earl E. Crabb, Chairman and President, reported to shareholders.

Net earnings of I.D.S., investment manager and distributors for the "Investors Group" of face-amount certificate and mutual fund investment companies, were $4,125,748, a decline of $2,328,663 from the all-time high net annual earnings of $6,464,411 reported in 1950.

This decline was due to restrictions on home buildings which were in effect throughout 1951 and which greatly curtailed operations of the I.D.S. mortgage and construction loan division, with result that 1951 earnings from the company's mortgage operations fell about $4,400,000 below 1950, a record year for U. S. home construction volume.

The company's 1951 earnings as distributor of face-amount investment certificates and mutual fund shares issued by subsidiary and affiliated companies substantially exceeded those of the previous year. I.D.S. earnings as investment manager, by contract, for companies within the Investors group were also well above 1950 levels.

Total assets of I.D.S. as of March 31, 1952, were $272,063,371. The bulk of these assets were in securities and mortgages on real estate.

COMMONWEALTH Investment Company reports total net assets on May 31 have reached the all-time high of $50,105,891.

SCUDDER, STEVENS & Clark Common Stock Fund reports total net assets of $3,638,205 on June 10, which is an increase of more than 50% from a year ago. Per share net asset value is $29.34 on 124,016 outstanding shares, compared with $27.24 per share on 81,023 shares outstanding a year ago.

SCUDDER, STEVENS & Clark Fund reports total net assets of $38,349,779 on June 10, 1952, equal to $58.13 per share on 659,674 shares outstanding on that date. This compares with total net assets of $35,546,944 a year ago, equal to $56.73 per share on 626,558 shares outstanding at that time.

NEW PROSPECTUS

HUDSON FUND released this week a new prospectus dated June 2, 1952. Available from 135 South LaSalle Street, Chicago 3, Illinois.

SEC REGISTRATIONS

ASSOCIATED FUND, St. Louis, Mo., on May 19 filed a registration statement with the Securities & Exchange Commission covering 22,250 full paid units and 70,000 accumulative units.

DIVIDEND SHARES, New York, on May 20 filed with the SEC on a registration statement covering 8,000,000 shares of capital stock.

INVESTORS MUTUAL, Minneapolis, on May 15 filed a registration statement covering 5,000,000 shares of capital stock.

QUINBY & COMPANY, Rochester, filed on May 16 with the SEC a statement covering $2,000,000 of certificates of interest in "The Quinby Plan for Accumulation of Common Stock of Eastman Kodak Co."

SELECTED AMERICAN Shares, Chicago, on May 14 filed a letter of notification with the SEC covering 150,000 shares of common stock to be offered at market through Selected Investments Co., Wilmington, Del., distributors for the Fund.

FORMULA FUND of Boston on May 26 filed a registration statement with the SEC covering 30,000 shares of capital stock (par $1) to be offered at net asset value per share plus sales load through Investment Research Corp. Proceeds are to be used for investment.

Bankers Offer Northern States Power Bonds

Public offering of $21,500,000 Northern States Power Co. (Minn.) first mortgage 3¼% bonds, series due June 1, 1982, is being made today by a group headed jointly by Lehman Brothers and Riter & Co. The bonds are priced at 101.155% and accrued interest, to yield 3.19%. The group won award of the issue at competitive sale Tuesday.

Net proceeds from the financing, together with funds to be received by the company from an offering to its common stockholders of 1,108,966 additional shares of common stock at $10.50 a share, under rights which expire June 23, will be used to provide a part of the new capital required for the construction program of Northern States Power Company and subsidiary companies.

The bonds are redeemable at regular redemption prices decreasing from 104.16% to par. For sinking fund purposes they are redeemable at prices ranging from 101.13% to par.

The company is an operating public utility and also a registered public utility holding company. Directly and through subsidiaries it furnishes electric service to 551 communities in Minnesota, Wisconsin, North Dakota and South Dakota. In addition, electric service is furnished to many rural and farm customers and to rural electric cooperative associates and other utility companies. The company and subsidiaries also furnish natural gas, manufactured or liquefied petroleum gas, steam or hot water heating service, telephone service and water service in certain communities.

Consolidated operating revenues in 1951 totaled $88,727,994; gross income, $16,224,128; and net income, $12,059,006.

West & Co. Sells Oil Finance Corp. Shares

The offering made June 4 of 2,400,000 shares of common stock of Oil Finance Corp. at 12½ cents per share has been completed, all of these shares having been sold. The financing was arranged through West & Co., Jersey City, N. J.

The Oil Finance Corp. was formed in Delaware on Feb. 28, 1952, for the purposes of exploring for oil and gas and the development of likely oil and gas prospects.

The net proceeds will be used to make the first payment on account of the purchase of oil and gas leases in Warren County, Pa., for working capital, and other corporate purposes.

W. E. Burnet Partner

Penn Harvey will become a limited partner in W. E. Burnet & Co., 11 Wall Street, New York City, members of the New York Stock Exchange, on July 1. On the same date, J. Henry Alexandre, Jr., member of the Exchange, and Richard P. Windisch, general partners will become limited partners.

George. L. Shaskan Opens

George Lincoln Shaskan is engaging in a securities business from offices at 40 Exchange Place, New York City. In the past Mr. Shaskan was a partner in Shaskan & Co.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Philip L. Rea, Jr. is now associated with Merrill Lynch, Pierce, Fenner & Beane, 8 East Broad Street.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

A number of interesting developments have taken place in the banking field during the past several weeks.

On May 21 the officials of the Manufacturers Trust and the New York Trust announced that the proposed merger of the two banks had been dropped. According to the announcement the request to cancel the merger plan, which would have made the surviving institution the fourth largest bank in the country, originated with the directors of the New York Trust. Under the circumstances the directors of the Manufacturers Trust agreed not to proceed with the merger.

The reason given for the change in plans was that certain large stockholders of New York Trust objected to the proposal. In view of the fact that a two-thirds vote in favor of the merger was required to effect the plan and that this approval might be difficult to obtain because of the opposition, it was deemed advisable to call off the consolidation.

According to reports in financial circles, part of the opposition to the merger was inspired by certain bank stock specialists in New York who felt that the terms of the proposal were not sufficient to justify the approval of the consolidation by New York Trust stockholders.

Savings banks and trust funds in the New England area, where a substantial amount of the New York Trust stock is held, were supposedly the investors who were opposed to the merger.

Thus, even though one of the prominent investment banking houses had prepared a report which endeavored to justify the basis of the merger, the unenthusiastic support of the plan on the part of a number of stockholders persuaded the directors of New York Trust to cancel the merger plans.

This is the second time within the past 10 months that a New York bank merger has been called off after having been publicly announced.

Last August the Chase National Bank and Bank of Manhattan announced their intention to merge only to announce the following day that "legal obstacles" had arisen which made the consolidation impossible at that time.

While these events point up the difficulty of carrying out a merger among some of the major banks, they do indicate that there is a considerable amount of interest on the part of various institutions to enlarge their banking operations and on the part of others to merge with larger institutions. Thus, in spite of the obstacles which have arisen, there are good reasons to believe that additional mergers of large banks both in and outside of New York will be accomplished although the timing as seen from past experience is difficult to determine.

One of the interesting developments resulting from the Manufacturers Trust-New York Trust proposal that caused considerable discussion was the dividend policy adopted by the Manufacturers Trust.

According to the consolidation proposal if it had been approved, the surviving bank would have paid a dividend of $3 a share on an annual basis. This would have amounted to an increase in the dividend rate of Manufacturers Trust from $2.60 on an annual basis to $3. There had been some expectation in view of this announcement that even though the merger was called off, the Manufacturers Trust might increase the dividend to the $3 rate. At the meeting on June 2, 1952, however, Manufacturers Trust declared the regular quarterly dividend of $0.65 a share. It may be that some favorable action will be taken later in the year in the event that merger proposals are revived.

One of the other large New York City banks did act to increase its payment to stocks at a recent dividend meeting. The Guaranty Trust on June 4, increased the regular quarterly payment from $3 to $3.50 a share.

This increases the rate of annual payment from $12 to $14. For the past several years, however, Guaranty Trust has been declaring an extra dividend of $2 a share in December payable in January to bring the total payment for the year to $14 a share.

This action, in effect then, places the stock of Guaranty Trust on a regular $14 basis. Whether or not an extra will be paid in the coming year remains to be seen, although on the basis of capital and earnings some additional payment might be justified.

As the outlook for bank earnings has improved considerably over the past year, these changes in dividend payments might be considered significant. Where capital is adequate a larger pay-out of income may be possible and where additional capital is required some increase in payment may be justified to support a program of financing.

With Holt & Collins

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John H. Lohman is with Holt & Collins, Russ Building, members of the Los Angeles and San Francisco Stock Exchanges.

Walston, Hoffman Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert C. Yates has been added to the staff of Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Continued from first page

Prospects Confronting the Private Power Companies

many times by high officials and is completely understandable. All of you have witnessed the campaign for Federal generating plants and Federal transmission lines. I am sure you will agree that this plan, if carried out, eventually would lead to Socialism, not only of the utility industry but of most other industries.

In the first part of this presentation, I shall endeavor to give you the facts to show how far the Federal Power Program has progressed.

Private Utility Future a Bright One

My outlook is that if the people of the Nation continue to be alert, the Federal Power Program, as outlined by its authors, will not succeed.

Congress definitely has not adopted and does not look kindly upon a Federal Power Program in which the Interior Department would take over the private power industry. I am very satisfied with the attitude evidenced by Congress when a utility is doing or is ready and willing to do the job.

I believe that the people do not look kindly upon any such Federal Power Program, and I am convinced that by continued presentations to the people of the facts involved we can and will stop and turn back such a program.

After presenting the status of the Federal Power Program today, I shall endeavor to give you facts to show why the Federal Power Program will not be carried to its ultimate conclusion and why our industry will continue to be the successful and prosperous one it is today.

Federal Money in the Power Business

By the end of June, 1952, the Federal Government will have spent approximately $4,258 million on projects involving power exclusive of the $2,700 million which has been appropriated for REA. The spending of this money has been concentrated in certain areas.

I would now like to show you by a chart where the Federal Government has spent and is spending this $4,258 million on power projects.

Chart I—Location of Spending on Federal Power Projects, shows in every area on the map that the Federal Government has built or is building generating plants and transmission lines, and if the present program of the Interior Department is continued the future of the companies in those areas is threatened. However, in practically every one of those areas, the private utility companies have been opposing with considerable success appropriations for the Federal Power Program.

Creeping Development of Federal Power Program

One reason why the Federal Power Program has had such extensive development in a comparatively few years is that in the early stages and up until the last few years only a few companies were affected, the balance of the industry did not realize the danger, and the opposition to the program was extremely limited.

Chart II—Proportion of Electric Companies Directly Affected by Federal Power, shows that in 1931, only 1% of the Class A and B companies was directly affected by Federal power plants. Many uninformed and unaffected companies thought that the socialistic movement was local in character, was in some way due to the failure of the local companies to measure up to the situation, and in any event would never reach them. But, of course, it has moved forward and spread out.

By 1941, 10 years later, the proportion had increased to 8% and by 1951 to 27%, including those that had been expropriated. And by "affected" I mean right up against the gun. A lot more are well aware of what is in store for them; others are beginning to be alarmed, while still others are going their various ways without paying too much attention to what is going to hit them in due time.

Present and Future Program of Federal Power

A comparison of the Federal projects which we now have and which are contemplated for the future is very interesting and shows the progress of the Federal Power Program up to the present time and what is planned for the future.

Chart III — Status of Federal Power Plant Program, shows that the Federal Government has completed or under construction 119 projects with approximately 16,672,000 kilowatts of installed capacity.

However, the government has authorized, approved and proposed 649 plants with a capacity of almost 52,000,000 kilowatts.

Fifteen and five-tenths per cent of the total plants have been completed or are under construction, but they constitute 24.5% of the total kilowatts installed and to be installed. In other words, the plants which have been or are being constructed by the Federal Government, in general are much larger in capacity than the contemplated plants.

The chart which you see, totaling 768 projects, shows those projects which we have been able to identify. Undoubtedly, many more generating plants and transmission lines will be proposed as the years go by, including steam-electric stations not now formally in the program.

Just what this program would cost is anybody's guess. The Water Resources Policy Commission, in its recent report, gave figures ranging from $70 billion to $115 billion. Based on past experience, we can anticipate that the final figure would exceed these vast amounts if the program were to be carried to completion. These amounts indicate a tremendous burden on taxpayers, which is entirely unnecessary.

Preference Customers Get Bulk of Federal Power

Chart IV—Disposition of Electricity Produced at Federal Dams, shows who gets the electricity produced at Federal dams and steam-electric stations. Including losses, nearly half goes to the so-called preference customers. The next largest group is certain especially-favored large industries. The electric companies use only slightly more than 20% of the total, although they serve 80% of the people of the nation.

TVA—An Example of What May Come

TVA can be considered as a good example of what we can expect in Federal power in the future unless the program is stopped.

TVA started as a means of disposing of the output from Wilson dam. It secured some steam plants in the course of its acquisition of utilities in the area, and built another steam plant during World War II under the guise of national defense. It built the New Johnsonville steam plant on the plea that it was responsible for the power supply in the area and now the lid is off. In a few years TVA will be a steam-electric system with hydro for peaking purposes.

The Pattern of Federal Electric Power

The pattern of Federal power has become very plain. Because Congress has not looked with favor upon the establishment of additional Valley Authorities, Federal Power Marketing Agencies are being set up by edict of the Secretary of the Interior, without the consent of Congress.

Chart V—Federal Power Marketing Areas, shows the five major power marketing agencies of the Federal Government. Four of these: Southeastern Power Administration; Southwestern Power Administration; Bonneville Power Administration, and Bureau of Reclamation, are a part of the Department of the Interior.

TVA is an independent Federal corporation.

My chart shows a sixth area—the State of Nebraska—where the enterprise has been financed in substantial part by the Federal Government but is still on a State basis.

There are also some other similar areas which are small and which I have not shown.

These marketing agencies are tax-free, subsidized utilities. They are the nationalized segment of the utility business.

Federal Bureaus Have Abandoned Excuses for Power Expansion

We have learned by bitter experience that Federal dams which were authorized ostensibly for the purpose of irrigating our arid lands, or controlling floods, often turn out to be weapons designed to destroy the electric companies in the area and put the Federal Government in the power business.

As examples . . . the Federal Government now operates or has under construction 15 steam-electric plants that have no other reason for existence than the generation of electricity; TVA has nine hydroelectric plants that are strictly for power; other Federal hydroelectric plants — Hungry Horse, Canyon Ferry and Clark Hill, to name three — originally were authorized as multi-purpose projects with reclamation or flood control benefits, but today are power plants and nothing more.

Many Department of Interior projects being urged at the present time are being sought without regard to purposes other than power, and the Interior Department itself frankly admits it is in the electric power business.

In the Roanoke Rapids case, with which you are familiar, Secretary Chapman stated his position as follows:

"The interest of the Secretary of the Interior is that of a competitor of Virginia Electric & Power Company in the sale of

CHART I

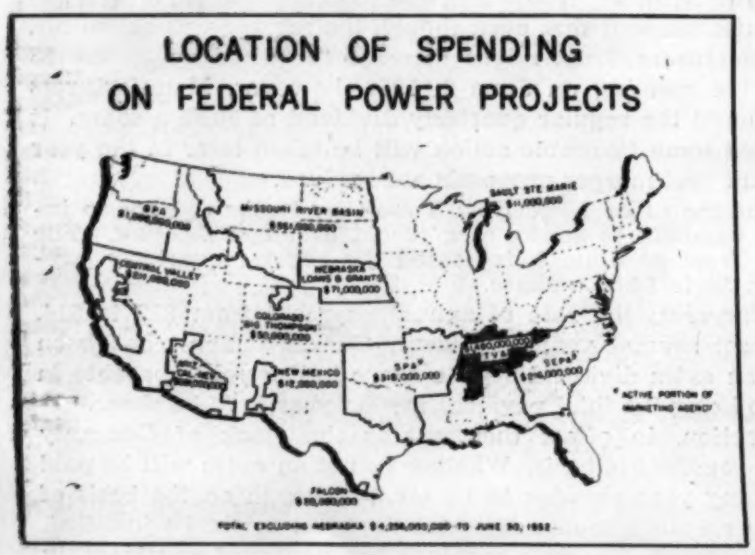


CHART III

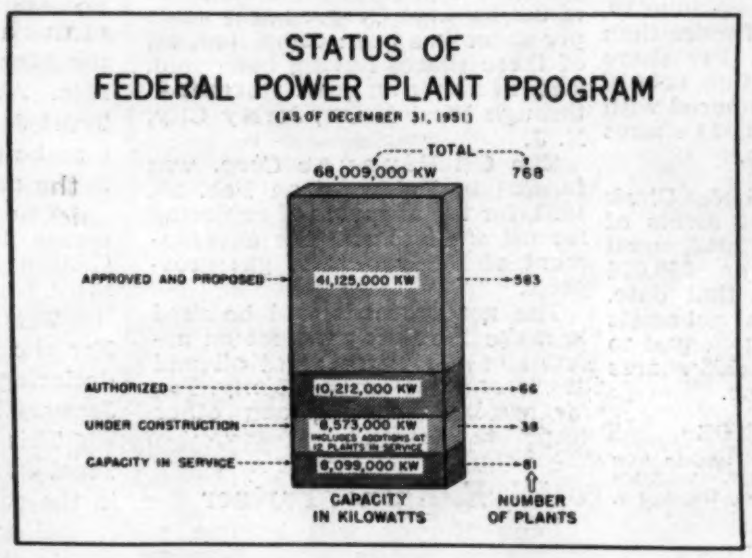


CHART V

CHART II

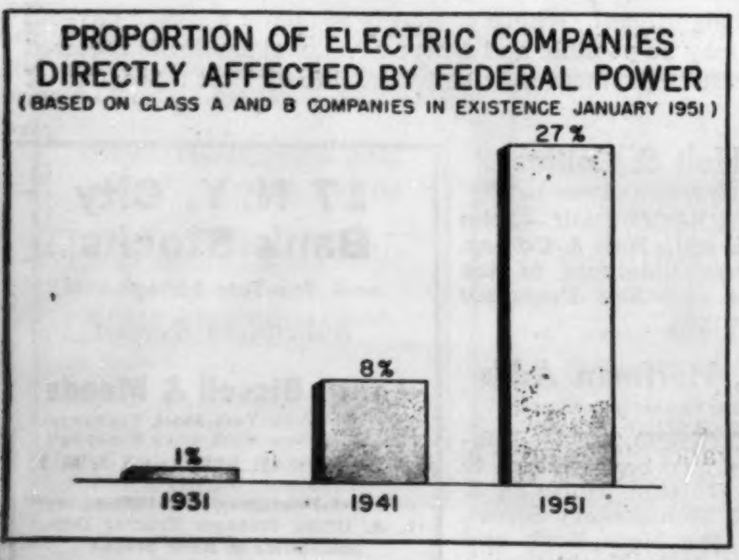


CHART IV

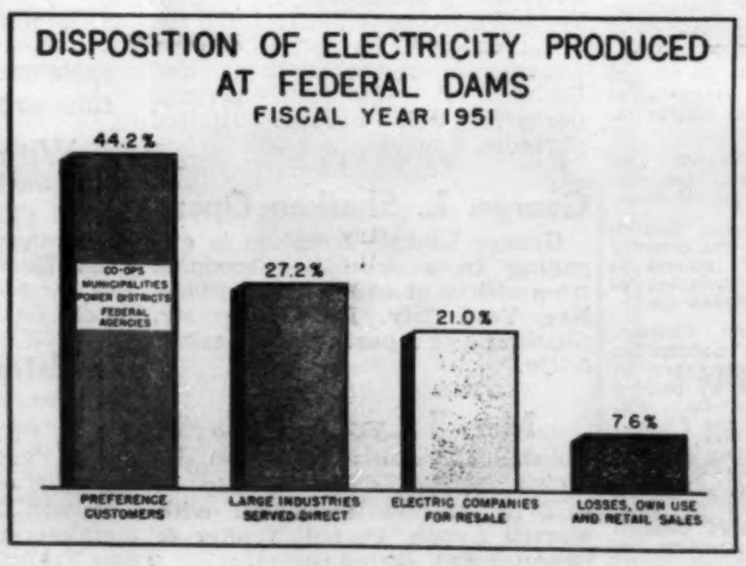
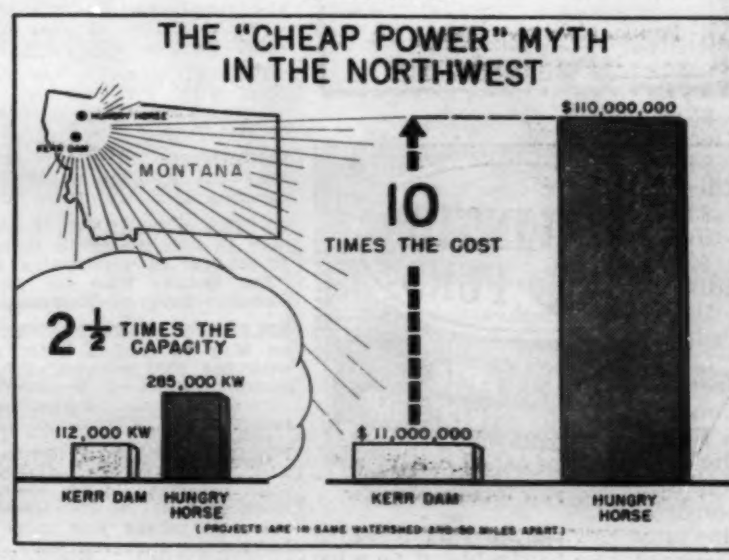


CHART VI



power in the Roanoke River area of Virginia and North Carolina."

The Southwestern and Southeastern Power Administrations are engaging in another practice that is extremely dangerous and beyond the scope of the law under which they operate. They are purchasing steam electric power for resale although Section 5 of the Flood Control Act of 1944 does not contain a single word giving them this authority. The Arkansas Circuit Court had this to say about the practice:

". . . . The National Congress which prescribes the powers and duties of SPA only vests that agency wit hauthority to sell and distribute hydroelectric energy produced by dual-purpose flood control dams. **It is not authorized to purchase energy produced by steam plants.**"

The Problem

This brings us to the point of how I view the future of our truly great industry—it can be summarized as follows:

(1) If the Interior Department policy continues as it is today and if the thinking in Washington is such that the program is carried out as set forth in the Ickes memorandum of Jan. 3, 1946, and in the testimony which the top Interior Department officials have given before Congress in each of the past several years, it will inevitably mean the nationalization of our industry and most other industries.

(2) The plan is clear. It provides for Federal hydro plants, Federal steam plants, Federal transmission lines to all load centers, Federal control of all sales and rates. It is not regional—it will cover the entire nation and you who live in states not now involved had better do everything possible to help your buddies in the front line trenches and to build your own defenses.

My best judgment is that this program will never be consummated; that the Federal policy will change.

Although the foes of private utilities are so formidable that they could destroy the industry, intelligent activities by the industry can assure a long and successful future. Likewise, no activity, or limited activity, or unintelligent activity by the industry will lead to the eventual destruction of our companies by a tortuous process akin to a Russian trial and prison.

Please let me try to support this theory.

Utilities Can Build Any Economically Feasible Project Regardless of Size

Repeatedly we hear that a project is too large for private industry, so the government has to build it.

That's just pure **baloney!**

TVA has spent about $540 million on straight power facilities in the 18 years it has been operating, since 1933. Compare this with the following record of construction by private companies—a record that has been achieved in the six years since the end of World War II:

$816 million by Pacific Gas and Electric Company.

$445 million by Consolidated Edison Co. of New York.

$344 million by Southern California Edison Company.

$246 million by The Detroit Edison Company.

Between 1946 and 1952, the United States Steel Corporation spent almost one billion four hundred million dollars on its expansion program.

From 1946 to 1951, inclusive, the electric utility industry spent ten billion, 89 million dollars to construct new facilities, while in the same period the Federal Government spent only about two billion, 428 million dollars on power projects — or only about one-quarter the amount financed by private enterprise.

This certainly indicates to me that the only thing our industry can't build is a project which is not economically feasible, not financially sound and which shouldn't be built at all, or which should be built for some **valid** non-reimbursable reason such as reclamation or flood control.

Federal Electric Power Is Not Cheap Power

The war cry of the Federal power proponents is **"cheap power."** It has been effective against and harmful to us. Now let's analyze it.

Whether the power is Federal power or private power, the people pay for it and every cent of it. They pay as consumers or as taxpayers, or both.

Consider the Hungry Horse project in Montana.

Chart VI—The "Cheap Power" Myth in the Northwest, shows that Montana Power Company's Kerr Dam cost $11,000,000 for 112,000 kilowatts of capacity. Hungry Horse, on the same watershed and only 50 miles away is estimated to cost $110,000,000 for 285,000 kilowatts—10 times the money for 2½ times as much capacity.

Which is "cheap" power? We should do much more than we are doing to tell the people.

Without burdening you with additional examples, let me suggest that you consider the number of employees per customer which each Federal agency operating in your territory has. Then compare this with the number of employees per customer in your own company.

Also compare the cost per kilowatt of any project being built in your territory by the Federal Government with the cost per kilowatt of the same type of project being built by private companies.

The Facts Are On Our Side

The socialized power program of the Federal Government lacks a firm foundation of integrity and economics. All the facts are on the side of the electric companies —I do not believe that we are taking full advantage of our favorable position. Whenever we do, we are surprisingly successful.

The electric companies have been successful where they have opposed before Congress or the courts Federal hydroelectric projects which the companies were willing to build themselves—for example, Kings River in California and Roanoke Rapids in North Carolina.

The electric companies have been reasonably successful in opposing Federal transmission lines where they now have or are willing to build adequate lines themselves.

The five New York companies are making headway in preventing a Federal power development at Niagara by being willing and able to do the job themselves and by labeling the Federal proposal for what it is—an adventure in Socialism. New England is taking steps to forestall a Federal power invasion of their area by preparing to make the worthwhile developments themselves.

Electric Energy Inc. successfully competed with TVA for a big share of a government defense load.

Virginia Electric & Power Company is winning the Roanoke case against the Department of the Interior.

We are beginning to organize as an industry and talk, act, think and fight as a unit. We could well do much more than we are.

Wasteful, Extravagant Government Our Greatest Problem

Our real problem is much broader than a utility industry problem. If the utility problems could be isolated, the difficulties would be reduced to a fraction of their present importance.

As I see it, our entire nation is on a direct road to a lower standard of living, to fewer comforts in life, to reduced freedom, to something comparable to what England has today, unless the people demand a complete change in administrative thinking in Washington.

Wasteful, extravagant government necessarily means — **higher taxes—more inflation—more regulation by government — less actual value for your dollar—and that you will be able to buy less with what you receive for each hour you work.**

For several years I have believed that the steel business, the banking business, the railroads, or the medical fraternity would be nationalized before the utility industry. However the order is not important, because if the nation adopts that policy all business will receive similar treatment.

Program Suggested

If it is not too presumptuous, I would suggest the following program as one which should assure the continued success of our industry:

(1) To maintain at all times adequate facilities — generation — transmission and distribution—to supply the power requirements in your area.

(2) Efficient and courteous service to all members of the public, and at lowest possible cost.

(3) A capable Information Department which keeps your employees and the public informed on all problems relating to our industry and our form of government. Wasteful Federal spending, high taxes, the seizure of the steel industry, socialized medicine, are just as important as problems relating specifically to our industry. It is all in the same mulligan and all will be cooked together unless we put out the fire.

(4) A willingness and readiness when economically feasible to build power projects on the streams of the nation. For example, Idaho Power Company at Hells Canyon and the power companies that are willing to develop the Niagara sites.

(5) A willingness and readiness to build generating facilities and all other power facilities at Federal dams, whenever it is not economically feasible to also build the dam.

(6) A willingness and readiness to build all necessary transmission lines.

(7) An essential part of the last three points is an aggressive, active, forceful opposition to the government doing **any** of the things a private utility is willing to do.

(8) Last—and this is very important—organization of the electric companies into a united front. We must make sure that the industry story is presented to the public adequately and correctly, and that we think, act and speak as a team.

Conclusion

I hope that I leave you with four principal thoughts:

(1) If the present Administration can and does carry out its power program through future years, our industry is doomed and our personal futures and the futures of the people of America are dark and dreary.

(2) Our fighting forces are far stronger than the opposition and if each utility company in these United States adopts and executes a sound intelligent program, our future and the future of the American people is bright.

(3) Our future is so intermingled with the future of good government in these United States, with the future of all private ownership of property, with the future of personal freedoms and with the future of the people as a whole that they cannot be separated.

(4) And last—that we have before us one of the most important — most worthwhile challenges ever confronting any industry and any nation, with a continuing land of plenty, if we do our job as we should.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

The news is full of the steel situation. The strike's off—it's on—it's off—it's on, etc., etc. The Taft-Hartley Act is a good law and should be applied. Taft-Hartley's bad and shouldn't be used. It is; it isn't; it is; it isn't. The President shouldn't have the power to take over private industry. He should have the power. He shouldn't, etc., etc.

* * *

After you get through reading or listening to, all the arguments pro and con it leaves you dazed and wondering what to do.

* * *

My answer to most of this is to look beyond the heated arguments and see what the market itself is saying about it. The market isn't interested in semantics pro or con. It concerns itself with hard facts as far ahead as it can see and acts accordingly. While all the yelling is going on a solid cross-section of the financial brains of the world is buying and selling certain stocks in the belief that such participation — or non-participation — will either become profitable in the near future, or will avoid losses in the same period of time.

* * *

Last week the market advanced again. At this writing it is backing away. It is part of a pattern that tells a story, a proper interpretation of which can mean profits. Or avoid losses.

* * *

The underlying causes I mentioned last week and the week before are still present. A new inflationary shot in the arm, whether it be in the form of lightened credits or printing press money can revive the economy long enough to see the market go up a number of points. The basic fact, however, is that cheaper money will mean higher prices for goods, heavy as well as consumer, which points to smaller buying power. Grosses may go up as dollar volume of sales advance. But the net will be smaller.

* * *

At present, it seems to me, that the market is trying to evaluate the effects of new pump priming for the immediate future. Occasionally it seems to say the effect will be bullish and the market goes up. But each time the advance runs into some snag, stocks turn dull and begin fading away again. Whether this is a downtrend in a bull market or an uptrend in a bear market can present a fine point to argue about. Actually they mean little except in the terms of your own stock.

* * *

If your stock keeps going up and the market keeps going down you're in a personal bull market. If it's the other way, all the encouraging tape action won't mean a thing to you.

* * *

My considered opinion is that the majority of stocks should be avoided until and unless a sharp reaction occurs. Buying them on strength at this stage is not my idea of safety.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Beavers Promoted By Trust Co. of Ga.

J. Kary Beavers has been promoted from Assistant Vice-President to Vice-President of the Trust Company of Georgia, in charge of the bank's Bond Department, it was announced by Marshall B. Hall, President, following a meeting of the board of directors.

After 11 years in the securities business in Birmingham, Alabama, Mr. Beavers joined the Trust Company of Georgia in 1935. He was elected Assistant Secretary in 1942 and Assistant Vice-President a year later.

Lloyd B. Hatcher, Vice-President, who was formerly in charge of the bank's Bond Department, has been assigned increased responsibilities in the Commercial Banking Department, where his duties will include the supervision of the bank's investment account. After an association with the Guaranty Company of New York, Mr. Hatcher joined the Trust Company in 1935. He opened an office in New York as its New York representative in 1946, and three years later returned to Atlanta as head of the Bond Department.

Carreau Admitting Barlow

On July 1, Henry M. Barlow will become a limited partner in Carreau & Co., 63 Wall Street, New York City, members of the New York Stock Exchange. Mr. Barlow is a partner of H. M. Barlow & Co., which will dissolve June 30.

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Implications of Niagara Power Controversy

multiple-purpose projects by their nature have been located in areas where the power aspects of the project have produced a radical effect upon the power economy of the area as a whole. This has been so because the additional generating capacity made available has been tremendous in relation to the electric generating capacity already existing in the area. On the basis of this experience and without inquiry into the facts relating to the Niagara, public power advocates, in order to advance their position, have labeled New York State as an area of "desperate power shortage"—a "power-starved" area. But here are the facts:

The installed capacity of our group of five companies — and there are, of course, several other privately owned companies in the State—is approximately 6,500,000 kilowatts. We have under construction at the present time in excess of 1,250,000 kilowatts of additional capacity, more than the entire additional capacity of the overall Niagara redevelopment.

This construction will be completed long before any additional Niagara power can be made available and the additional Niagara capacity would then represent only some 14% of the installed capacity of just our five companies. Even this percentage is reduced when effect is given to the construction which we have planned for installation before 1960 but not yet commenced. In the Niagara Mohawk System alone our total projection from 1952 to 1960 is a minimum of 850,000 kilowatts of additional capacity.

In 1951 our five-company electric sales, not including our intercompany sales and sales to other utilities, exceeded 28 billion kilowatthours. The first farm was electrified in New York State more than 50 years ago and New York State is today the nation's second largest dairying state. Electric service is available to practically every farm in the State and 96% of them are electrified. The remaining 4% are either very isolated or their continuance as farms is doubtful. Contrast this situation with the TVA area, for example, where in 1933 only 3% of the farms were electrified and where today about 18% are still not electrified.

In our territory, the requirements of tremendous industrial concentrations are being met. The defense load of my own company alone approximates 400,000 kilowatts and in the past 15 months we have delivered over a billion kilowatthours to just one defense plant.

In upstate New York, electric rates are lower than the national average; the average usage of residential and farm customers is higher than the national average.

If one desires any further demonstration of the extent to which the public power advocates have distorted the power situation in our territory, reference need only be had to the recent report to the Defense Production Administration by the Electric Power Advisory Committee. That Committee found that the Northeast region will have a surplus of power in 1953, which will increase in 1954.

As you can easily see, by intervening in our territory, the Federal government would be preventing private enterprise from doing what private enterprise can, and under our form of government it is expected to do for its citizens. On the contrary, public power encroachment would prevent private enterprise from continuing to do in the future what it has already demonstrated it can so well do for the benefit of all. While it is a proper function of our form of government to aid and to stimulate private enterprise, the stifling of private enterprise can lead only to a totalitarian form of government. With all our strength we must resist such trends lest they destroy the only form of government under which we can continue to be free.

While the other arguments which public power sponsors advance are equally without sound basis, you will see, as I narrate them to you, that they corroborate the seriousness and scope of the threat which the Niagara controversy has for the private electric utility industry of the nation as a whole.

Government Power Does Not Mean Cheap Power

The public power advocates rely heavily upon that old chestnut, that government power means cheap power. The reasons which render this proposition entirely fallacious are well known to you, I am sure, and I do not propose to take the time to present them in detail. I have yet to hear a public power advocate deny that the difference in the cost of public and private power stems from the tax inequality. The task force of the Hoover Commission on Organization of the Executive Branch of the Government, reporting on Water Resources Projects in January, 1949, concluded, after a careful analysis of private and public power bills, that, and I quote, "In general . . . the differential . . . is roughly equal to the tax component." In this connection, the report concluded that payments in lieu of taxes constituted a small fraction of the taxes payable by private enterprise; the equivalent of taxes, local, State and Federal, paid by private enterprise is not included; and, as is clear from official government reports themselves, the power investment of public projects is seriously understated by omitting interest during construction and by charging substantial portions of construction costs, as well as operating costs, to nonpower items. Moreover, the Comptroller General advises that various costs related to employee benefits are incurred by other Federal agencies for TVA's benefit and not included in TVA's financial statements.

It is also of interest to note that in its 1951 Annual Report, TVA boasts that "Consumers in the TVA region paid approximately $52,000,000 less for electricity in 1951 than they would have paid for the same amount of electricity under the average rates prevailing in the rest of the United States." It appears that the report has reference to the retail distribution of TVA power to residential and farm customers. The true character of this alleged saving is demonstrated by the situation in my own company. In 1951, of our total electric revenues of some $154,000,000, approximately $43,000,000 were derived from residential and farm customers. But we paid, in 1951, in Federal, State and local taxes, attributable to all our operations, in excess of $40,000,000, an amount almost equal to our total residential and farm revenues. The 145 municipal and cooperative distributors of TVA paid in the aggregate only some $4,500,000 of taxes and tax equivalents while TVA itself paid less than $2,500,000. Additionally, while we paid interest charges in 1951 of approximately $7,280,000, the 145 municipal and cooperative distributors of TVA power paid in the aggregate interest and debt expense of less than half of that amount. TVA itself charged to its power operations only some $864,000 for interest, the bulk of its funds being obtained, as you know, without interest, from the taxpayers of the nation as a whole through Congressional appropriations.

The net result, on any basis of comparison which begins to approach fairness, is that the true cost of the power sold by our privately owned system has been less than the true cost of TVA's public power. The apparent difference between public and private power rates is attributable to the allocation of public power costs. Paying only part of the cost, the consumer is subsidized as to the rest by his fellow-ciitzens, the taxpayers of the nation, who are already struggling under a back-breaking tax burden.

Even on TVA's grossly unfair basis of comparison, it should be noted that the difference in cost may be expected to narrow as the proportion of TVA's steam capacity increases. By 1954, some 47% of its total capacity will be in steam generation, and TVA has announced the necessity for increasing its industrial rates to compensate it for its increased generating costs.

At Niagara, in addition to requiring the appropriation of hundreds of millions of dollars of public funds, governmental development, except for the relatively minute payments which might be made in lieu of local taxes, would yield no revenue for the support of local, State or Federal governments. We have estimated that in the event of private development we would pay in such taxes at least $23,000,000 annually, a sum which, in some 15 years, assuming the continuance of current tax rates, would return to those governments an amount of taxes equal to the entire estimated cost of the development.

A further argument asserted by sponsors of a governmental development at Niagara Falls and equally applicable to any project anywhere relates to the nature of the construction of certain aspects of the project. A sponsor of the Lehman-Roosevelt bill has asserted that the necessary waterways must be constructed in a special way to minimize security hazards, and that such construction would involve additional costs which the private utility companies would be unwilling to spend. As demonstrated by the public files of the government, this assertion is absolutely contrary to the facts. Recently, the Office of the District Engineer of the Corps of Engineers of the United States Army recommended a Niagara redevelopment plan to be constructed by the Federal Government under which the necessary diversion of water around Niagara Falls would be through a single open canal 250 feet wide at the surface and approximately 5 miles long. Perhaps, of the alternative methods of construction, the open canal is the cheapest. However, it is also obvious that an open waterway presents more hazards from the point of view of the national security than either tunnels or covered canals. Our group of five companies has urged the construction of multiple tunnels so that the waterways could be protected some 150 feet below the surface and, in addition, in the event of a bombing attack at Niagara Falls, our eggs would not all be in one basket. As you may know, Niagara Falls is a highly concentrated defense area in which are located large segments of the nation's electrochemical and electrometallurgical industries. When the District Engineer's report was filed, we objected most strenuously in a memorandum on file with the Board of Engineers for Rivers and Harbors. We took violent issue with the Army representatives' plan for an open waterway, from the point of view of efficient and economic engineering as well as from the point of view of our national security. In our memorandum we concluded: "In view of the immense importance of the electrochemical and electrometallurgical industries to the national defense, the serious impact upon the national welfare that would result from the disruption of electric service to those industries, the dangers to interruption of electric power service incident to an open canal, it seems patent that the proposal to construct an open canal of the nature described in the report should be rejected for security reasons alone."

In addition, public power advocates ignore the fact that under the Federal Power Act as well as under the provisions of the Capehart-Miller Bill, the plan of development would have to be licensed by the Federal Power Commission. Before such a license could issue, the Commission would have to find that the construction plans were in the public interest.

But after thus stating inaccurately the position of the private companies with respect to the manner of construction, sponsors of the Lehman-Roosevelt Bill go on to attribute to us a motive for that position. It is asserted that we would desire to minimize the cost to sacrifice security hazards since our objective would be to build structures which would have a smaller cost, in order to insure the greatest financial return. This is a most reckless statement. It is the kind of resklessness in which a representative of private industry would not indulge. Anyone who has even a superficial knowledge of Federal regulation and regulation in the State of New York knows that our accounts are stated on the basis of original costs and our rates are so regulated. He also knows that unlike the typical industrial enterprise where smaller costs may permit larger profits, investors in the regulated public utility company receive only a return on the capital which is actually invested in utility plant. Here again, you will observe that these arguments against private enterprise, malicious since they are utterly insupportable, could be applied to any power project in the endeavor to justify public ownership.

The Use of So-Called Preference Policy

Among the most vicious aspects of the Niagara controversy is the use made by public power sponsors of the so-called preference policy in the distribution of power from government-owned multiple-purpose projects. It is asserted that there must be government development at Niagara Falls in order to safeguard this policy. As we know, the policy is applicable to the distribution of power not needed in the operation of multiple-purpose projects. Thus, what has been a consequence of Federal development is now put forward as justification for it. Where the preference policy was created as a consequence of the construction by the government of the multiple-purpose project, it is now being employed as a reason and justification for the construction by the government of a single-purpose hydroelectric project. Here again, the argument for public development is applicable to any power project wherever located.

But let us analyze a little more closely the territory in which the preference clause would be applicable in the event of government development of Niagara Falls. In the State of New York there are a few scattered municipal plants owning distribution systems serving little more than 1% of the State's electric consumers. In the entire State of New York there are only six small REA cooperatives. They have in the aggregate some 4,400 customers who consume less than one-tenth of 1% of the power consumed in the State. Their power requirements could be met with as little as 3,500 kilowatts of installed capacity. These, then, are the consumers for whom the taxpayers of the nation, under the Lehman-Roosevelt Bill, would be required to finance a government project which will cost $350,000,000 and produce some 1,250,000 kilowatts of power.

Nevertheless, we are told that it is essential to place the Federal Government directly in the power business, to apply tax revenues derived from private enterprise to duplicate the transmission lines of private enterprise, and later, undoubtedly, to duplicate their steam plants in order to render dependable the full Niagara power potential. We are told that it is essential to subject private enterprise to this unfair and ultimately destructive competition to preserve the so-called "democratic safeguard" of the preference clause for the people. What people? If there is a relative absence of municipalities, public authorities and REA cooperatives distributing electricity, if all of the homes and farms are now adequately served by private enterprise, then, we must ask, what people?

The facts and figures disclose the real implications of the preference clause when applied to the Niagara controversy. Of course, the relative absence of any people in the preferred categories might only be temporary. Motivated by the government's discrimination against the customers of taxpaying private utilities and in favor of the customers of municipal and other public utilities, more and more of the distribution systems will become publicly owned. As found by the National Association of Railroad and Utility Commissioners, "Such preferences have been and are being used to foster and expand public power projects to the detriment of the customers of regulated utilities." Those private utility systems which would not be taken over by public authorities could not survive for long the competition to which they would be subjected by the Federal Government's offer of tax-free subsidized power for the asking. The advancement of the preference policy as justification for a government power project in the State of New York indicates most clearly the far-reaching implications and the seriousness of the threat of the Niagara controversy to the nation's privately owned tax-paying electric companies.

Other arguments of public power sponsors merit only very brief mention. Recently, a sponsor of the Lehman-Roosevelt bill, apparently hard pressed for the logic of his position, was quoted in the press as saying, and I quote, "Private utility interests may feel if they can get the Niagara project out of public control, they can also get their hands on the TVA, Bonneville and Grand Coulee." The statement is too ridiculous to refute. I want only to point out that the Niagara project has never been in "public control." The existing Niagara development, which found its origin some 60 years ago was pioneered, constructed and has been operated with private capital and by private enterprise. The Niagara controversy involves only the *expansion* of that development which private enterprise has always been ready, willing and able to undertake but which only now has become possible.

It is also asserted that private enterprise at Niagara would pay inadequate attention, in the distribution of the power, to the needs of the defense program. Not only does the record of our industry refute that assertion, but the Capehart-Miller Bill itself re-

quires, and I quote, "In contracting for the disposition of project power, preference shall be given to directions from the Department of Defense for supplying power to governmental installations or to industries requiring power to produce materials essential to the national security."

Public power sponsors further assert that only the Federal Government could equitably apportion the Federal power among states within economic transmission distance, but here again specific provision and procedure for accomplishing that result under the aegis of the Federal Power Commission is set up in the Capehart-Miller Bill.

I am sure you will agree that all of these arguments, in addition to their obvious lack of merit, could be addressed to your territory as a justification for a public power there.

Preserving the Scenic Spectacle

Before concluding, I want to make mention of the one argument of the public power advocates which can fairly be said to be peculiar to the situation at Niagara Falls, and that is the necessity for preserving the scenic spectacle. Sponsors of the Lehman-Roosevelt Bill undertake to find special circumstannces at Niagara Falls in the obligations under the Treaty with Canada to preserve at all times the scenic beauty of Niagara Falls. Under the Treaty, an International Joint Commission supervises the construction of any necessary remedial works. The Bureau of Power of the Federal Power Commission, in 1949, estimated the cost of such construction at some $2,000,000, which is to be divided equally between the United States and Canada. Assuming, as must be the case, that the rise in price levels has increased this cost, the result falls far short of justifying the launching of the government into a power project which would cost in excess of $350,000,000. Our group of companies has indicated a willingness to absorb the cost of any such necessary remedial works. Public power sponsors also assert that the International Joint Commission would have no jurisdiction over the private companies. But the fact is, as provided in the Treaty itself, whether the Niagara redevelopment be constructed by the government or by private industry, the actual construction required to preserve the scenic spectacle at the Falls must be done under the supervision of the International Joint Commission. Since the Army Engineers as well as private enterprise engage contractors for their construction work, there will be the same degree of delegation, under supervision of the International Joint Commission, whether or not the public power sponsors have their way.

For these many reasons, to each of which time has permitted only brief reference, I am sure you will agree that the implications of the Niagara controversy are most far-reaching. I am sure you will agree that the result can well be decisive in the long struggle which we have been compelled to wage in the last two decades to repel bureaucracy's encroachment upon our industry. For the same reasons I am sure you will agree that the result of the Niagara controversy can well be a decisive blow to the private enterprise system as typified by the electric light and power industry.

Notwithstanding the seriousness of the issues presented by the Niagara controversy, the situation is not without its sunny side. Thus far, your response and the response of those who place their faith and hope in the continuance of the private enterprise system have been tremendous. From all over the nation, civic groups and industrial, farm and labor organizations, as well as countless individuals, have rallied to our cause. In New York State itself, although the supporters of the Lehman-Roosevelt Bill claim to be acting in accordance with the desire of the people of the State of New York, we are receiving publicly the support of the Chamber of Commerce, the Farm Bureau Federation, the State Grange, the Citizens Public Expenditure Survey (which is the State taxpayers' association), the State Federation of Labor, the State Association of Electrical Workers, the International Brotherhood of Electrical Workers (AFL), the Utility Workers Union of America (CIO), various Engineering Societies, the Society of Professional Engineers of New York State, various Women's Clubs, as well as the Minute Women of America. The editorial support for private development has included national as well as local publications. With such support, and it is increasing daily as the facts become known, we have every right to be hopeful of the outcome of the Niagara controversy.

On behalf of our group of five companies, I want to express our deep appreciation for your support. It is most encouraging to know that we can look forward to the wholehearted cooperation of the industry in the decisive days ahead of us.

In closing, I want to say that as an industry I am sure we will continue to shoulder the serious responsibilities which will continue to confront us in a troubled nation and in a troubled world. I am sure we all agree that no sacrifice will be too great except the loss of our freedom. We shall lose our freedom if we lose the private enterprise system. We shall lose the private enterprise system if we do not succeed in halting Federal encroachment upon private industry.

Continued from page 5

The State of Trade and Industry

The aggregate of new business incorporations for the first four months of 1952 came to 31,681. This marked a rise of 4.2% over the 30,407 of a year ago, and 8.6% more than the 29,178 in the corresponding 1949 period. With these two exceptions, however, the current total was well below that of all other post World War II years.

Steel Output Scheduled to Drop 26.2 Points to 12.5% of Capacity Due to Steel Strike

There could have been worse times for a steelworkers' strike, says "Steel," the weekly magazine of metalworking.

On the favorable side when the strike began last week, consumers' stocks of steel were better than they had been for a long time, and consuming plants were not far away from their vacation periods, when they use no steel at all. The nation has had the benefit of five months of steel production, and with business slowing down and the defense program stretched out the consumers have had a chance to build up steel stocks.

Most metalworking plants, particularly those in the sluggish consumer durable goods field, have enough steel on hand to carry them through June or to the period when the bulk of the steel users have scheduled vacations of one to two weeks.

If the steel strike lasts only a couple of weeks its effects will be largely offset by the lack of consumption during the vacation periods of metalworking plants. If the strike continues over a longer period and consumer inventories become unbalanced, various consumers may advance their vacation schedules, with the thought they will have the vacations out of the way by the time steel starts flowing from the mills again, states this trade journal.

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at 12.5% of capacity for the week beginning June 9, 1952, equivalent to 259,000 tons of ingots and steel for castings, or a decrease of 26.2 points below the previous week's actual production of 804,000 tons, or 38.7% (actual) of rated capacity.

A month ago output stood at 101.2%, or 2,102,000 tons.

Car Loadings Drop Due to Memorial Day Holiday

Loadings of revenue freight for the week ended May 31, 1952, which included the Memorial Day holiday, totaled 697,926 cars, according to the Association of American Railroads, representing a decrease of 64,621, or 8.5% below the preceding week.

The week's total represented a decrease of 47,629 cars, or 6.4% below the corresponding week a year ago, and a decrease of 12,870 cars, or 1.8% below the comparable period in 1950.

Electric Output Improves Substantially Over a Week Ago

The amount of electric energy distributed by the electric light and power industry for the week ended June 7, 1952, was estimated at 7,005,066,000 kwh., according to the Edison Electric Institute.

The current total was 194,339,000 kwh. above that of the preceding week when actual output amounted to 6,810,727,000 kwh. It was 271,404,000 kwh., or 4.0% above the total output for the week ended June 9, 1951, and 1,084,239,000 kwh. in excess of the output reported for the corresponding period two years ago.

U. S. Auto Output Returns to Normal Level

Passenger car production in the United States the past week, according to "Ward's Automotive Reports," totaled 94,794 units, compared with the previous week's total of 76,256 (revised) units, and 113,542 units in the like week a year ago.

Total output for the past week was made up of 94,794 cars and 25,035 trucks built in the United States, against 76,256 cars and 21,858 trucks (revised) last week and 113,542 cars and 29,746 trucks in the comparable period a year ago.

Canadian production last week was estimated at 7,640 cars and 3,910 trucks. This total of 11,550 compared with 6,778 a year ago.

Business Failures Continue to Decline for Fourth Consecutive Month

Commercial and industrial failures declined to 120 in the holiday-shortened week ended June 5 from 136 in the preceding week, Dun & Bradstreet, Inc., reports. Down for the fourth consecutive week, casualties were considerably lighter than in the comparable weeks of 1951 and 1950 when 172 and 164 occurred respectively. Continuing below the prewar level, they were down 57% from the 1939 total of 279.

Trade and service accounted for the lower mortality during the week. Slight increases occurred among manufacturers and among construction contractors last week.

Failures in the Pacific, East North Central and in the South Atlantic States declined. Mild weekly increases occurred in the Middle Atlantic, New England and East South Central States.

Food Price Index Shows Further Mild Decline

The wholesale food price index, compiled by Dun & Bradstreet, Inc., moved downward for the second straight week to stand at $6.43 on June 3. This compared with $6.45 a week earlier, and with $7.08 on the corresponding date a year ago, or a drop of 9.2%.

Wholesale Commodity Average Closes Week Sharply Lower

The general commodity price level advanced fractionally in the early part of the past holiday week, but dropped sharply toward the close, due largely to a downward adjustment in crude rubber prices. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., finished at 294.90 on June 3, comparing with 296.65 a week earlier, and with 317.58 a year ago.

Grain markets were unsettled the past week. Prices were irregular with most grains finishing slightly lower than a week ago.

Weakness in wheat was largely influenced by the continued very favorable outlook for this year's crop, which promises to be the third largest on record.

Conditions in southwestern Winter wheat areas remained excellent, while rains in the northwest improved prospects for the Spring wheat crop. Corn showed strength at times, aided by continued heavy consumption and decreasing stocks, but prices worked lower in late dealings on the realization that a large crop has been planted under very favorable conditions.

Trading in grain and soybean future son the Chicago Board of Trade during the past holiday week averaged about 40,500,000 bushels per day, as compared with 37,500,000 the previous week, and 32,000,000 in the same week last year.

Flour prices developed some easiness as demand for hard wheat bakery flours remained very slow. There was some improvement in bookings of Spring wheat flours early in the week, consisting of small lots for nearby needs. Coffee displayed a better undertone; future prices scored moderate gains on trade buying and hedge-lifting against sales of actuals.

Sugar was slightly firmer, aided by Cuban support buying and a falling off in selling pressure.

Cotton prices trended upward in the holiday week. Firming influences included month-end mill price-fixing, less reasurring advices on the new crop, and the unfavorable developments in the foreign political situation. Export sales were relatively small in volume as qualities sought were in limited supply. Trading in spot markets was fairly active with sales in the ten markets for the week ended last Wednesday reported at 65,800 bales, against 90,700 the previous week, and 45,600 a year ago.

Trade Volume In Latest Week Holds About Even With Year Ago

The long holiday week-end reduced retail shopping in many localities in the period ended on Wednesday of last week. With the help of many attractive promotions and the extended shopping hours, retailers generally sold about as much as a year ago.

Shoppers remained rather bargain-conscious and sought merchandise at reduced price levels.

Retail dollar volume in the week was estimated to be from 2% below to 2% above the level of a year ago. Regional estimates centages:

New England, East, and Northwest —3 to +1; South —2 to +2; Midwest —1 to —5; Southwest +2 to +6, and Pacific Coast +1 to +5.

Shoppers reduced their purchasing of apparel slightly last week, but continued to spend more than in the comparable 1951 week.

At food counters housewives turned their attention the past week to warm-weather and picnic fare. The buying of large meat cuts declined perceptibly.

The interest in household goods held at the increased level of the prior week, but did not quite match the high level of a year earlier. There was a noticeable rise in the sales of automobile parts and accessories as well as picnic equipment before the long week-end began.

The most active items in household goods stores were washers, refrigerators, freezers, and hardware.

The advent of a new shopping season stimulated wholesale trade perceptibly in many lines in the week. The total dollar volume of wholesale orders, while slightly above a year ago, was about 10% below the all-time high reached in the early part of 1951 when the international crisis induced large-scale inventory building. The rather favorable consumer response of recent weeks encouraged many buyers to increase their purchasing.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended May 31, 1952, rose 1% above the like period of last year. In the preceding week a gain of 5% was registered from the like period a year ago. For the four weeks ended May 31, 1952, sales rose 3%. For the period Jan. 1 to May 31, 1952, department store sales registered a decline of 5% below the like period of the preceding year.

Retail trade sales volume last week suffered a disadvantage from the standpoint of comparison with the like period a year ago, since the latter period witnessed the first full week of the "price war." As a consequence, the volume a week ago was estimated to be off 20%.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended May 31, 1952, decreased 15% below the like period of last year. In the preceding week a decline of 7% was recorded from that of the similar week of 1951, while for the four weeks ended May 31, 1952, a decrease of 8% was registered below the level of a year ago. For the period Jan. 1 to May 31, 1952, volume declined 10% under the like period of the preceding year.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	June 15	12.5	*38.7	101.2	103.2
Equivalent to—					
Steel ingots and castings (net tons)	June 15	250,000	*804,000	2,102,000	2,063,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 31	‡			‡
Crude runs to stills—daily average (bbls.)	May 31	§15,573,000			6,601,000
Gasoline output (bbls.)	May 31	17,751,000	NOT AVAILABLE		21,086,000
Kerosene output (bbls.)	May 31	1,812,000			2,317,000
Distillate fuel oil output (bbls.)	May 31	7,578,000			8,294,000
Residual fuel oil output (bbls.)	May 31	7,851,000	BECAUSE OF		8,929,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 31	121,894,000			139,658,000
Kerosene (bbls.) at	May 31	19,050,000	OIL STRIKE		22,462,000
Distillate fuel oil (bbls.) at	May 31	50,966,000			58,676,000
Residual fuel oil (bbls.) at	May 31	38,523,000			39,802,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 31	697,026	761,647	744,592	744,655
Revenue freight received from connections (no. of cars)	May 31	615,824	637,049	659,925	657,038
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 5	$225,917,000	$307,813,000	$315,093,000	$296,036,000
Private construction	June 5	106,855,000	133,465,000	145,158,000	148,342,000
Public construction	June 5	119,062,000	174,348,000	169,935,000	147,694,000
State and municipal	June 5	99,733,000	120,186,000	119,605,000	106,398,000
Federal	June 5	19,329,000	54,162,060	50,330,000	41,296,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 31	8,380,000	*8,950,000	8,575,000	8,666,000
Pennsylvania anthracite (tons)	May 31	711,000	752,000	811,000	734,000
Beehive coke (tons)	May 31	96,000	*111,000	79,900	134,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	May 31	96	*105	111	95
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 7	7,005,066	6,810,727	7,039,438	6,733,662
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	June 5	120	136	161	172
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 3	4.131c	4.131c	4.131c	4.131c
Pig iron (per gross ton)	June 3	$52.77	$52.77	$52.77	$52.69
Scrap steel (per gross ton)	June 3	$42.00	$42.00	$42.00	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 4	24.200c	24.200c	24.200c	24.200c
Export refinery at	June 4	31.925c	27.425c	27.425c	27.425c
Straits tin (New York) at	June 4	121.500c	121.500c	121.500c	136.000c
Lead (New York) at	June 4	15.000c	15.000c	17.000c	17.000c
Lead (St. Louis) at	June 4	14.800c	14.800c	16.800c	16.800c
Zinc (East St. Louis) at	June 4	17.500c	19.500c	19.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 10	98.35	98.30	99.27	97.32
Average corporate	June 10	109.97	110.15	110.15	110.88
Aaa	June 10	114.27	114.46	114.46	115.04
Aa	June 10	112.75	112.75	113.12	114.08
A	June 10	109.42	109.42	109.42	109.97
Baa	June 10	104.14	104.31	104.31	105.00
Railroad Group	June 10	107.27	107.44	107.40	107.62
Public Utilities Group	June 10	109.60	109.60	109.60	110.70
Industrials Group	June 10	113.50	113.50	113.70	114.46
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 10	2.61	2.61	2.55	2.68
Average corporate	June 10	3.17	3.16	3.16	3.12
Aaa	June 10	2.94	2.93	2.93	2.90
Aa	June 10	3.02	3.02	3.00	2.95
A	June 10	3.20	3.20	3.20	3.17
Baa	June 10	3.50	3.49	3.49	3.45
Railroad Group	June 10	3.32	3.31	3.31	3.30
Public Utilities Group	June 10	3.19	3.19	3.19	3.13
Industrials Group	June 10	2.98	2.98	2.97	2.93
MOODY'S COMMODITY INDEX	June 10	433.5	434.3	436.2	493.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 31	200,761	165,162	256,873	266,566
Production (tons)	May 31	188,938	205,632	199,614	243,835
Percentage of activity	May 31	79	83	82	100
Unfilled orders (tons) at end of period	May 31	374,989	360,887	417,564	658,722
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE = 100	June 6	140.0	139.8	140.7	152.5
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	May 24	25,196	23,084	28,355	20,988
Number of shares	May 24	699,578	631,418	808,378	600,390
Dollar value	May 24	$32,751,152	$27,801,830	$36,359,544	$28,163,536
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	May 24	22,119	20,185	22,895	16,655
Customers' short sales	May 24	99	94	177	285
Customers' other sales	May 24	22,020	20,091	22,718	16,370
Number of shares—Total sales	May 24	595,457	536,288	657,482	455,974
Customers' short sales	May 24	3,493	3,623	8,064	11,233
Customers' other sales	May 24	591,964	532,665	649,418	444,741
Dollar value	May 24	$24,761,429	$32,200,684	$28,108,492	$19,409,644
Round-lot sales by dealers—					
Number of shares—Total sales	May 24	164,050	163,080	168,040	113,630
Short sales	May 24	------	------	------	------
Other sales	May 24	164,050	163,080	168,040	113,630
Round-lot purchases by dealers—					
Number of shares	May 24	279,840	246,420	348,230	272,640
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	May 17	180,610	216,040	299,230	358,780
Other sales	May 17	5,668,120	5,670,510	8,376,390	8,910,970
Total sales	May 17	5,848,730	5,886,550	8,675,720	9,269,750
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	May 17	487,710	620,610	944,200	1,012,560
Short sales	May 17	100,680	121,150	157,040	190,300
Other sales	May 17	396,710	456,690	837,200	874,690
Total sales	May 17	497,390	577,840	994,240	1,064,990
Other transactions initiated on the floor—					
Total purchases	May 17	72,850	134,100	230,800	275,080
Short sales	May 17	3,400	11,600	24,400	16,200
Other sales	May 17	118,900	150,500	283,300	247,360
Total sales	May 17	122,300	162,100	307,700	263,560
Other transactions initiated off the floor—					
Total purchases	May 17	180,410	228,605	327,365	416,495
Short sales	May 17	37,000	38,390	41,200	41,130
Other sales	May 17	275,844	310,126	419,125	376,945
Total sales	May 17	312,844	348,516	460,325	418,075
Total round-lot transactions for account of members—					
Total purchases	May 17	740,970	983,315	1,502,365	1,704,135
Short sales	May 17	141,080	171,140	222,640	247,630
Other sales	May 17	791,454	917,316	1,539,625	1,498,995
Total sales	May 17	932,534	1,088,456	1,762,265	1,746,625
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49 = 100):					
Commodity Group—					
All commodities	June 3	111.9	*112.0	111.5	------
Farm products	June 3	110.1	109.6	107.9	------
Processed foods	June 3	109.3	109.1	108.3	------
Meats	June 3	115.5	114.9	113.1	------
All commodities other than farm and foods	June 3	112.8	113.1	112.9	------

*Revised. ‡Figures not available. §Includes 501,000 barrels of foreign crude runs.

	Month Latest	Month Previous	Ago Year
AMERICAN PETROLEUM INSTITUTE—Month of March:			
Total domestic production (bbls. of 42 gallons each)	216,752,000	202,724,000	205,404,000
Domestic crude oil output (bbls.)	198,028,000	184,654,000	187,624,000
Natural gasoline output (bbls.)	18,709,000	18,049,000	17,774,000
Benzol output (bbls.)	15,000	21,000	6,000
Crude oil imports (bbls.)	15,817,000	14,228,000	14,971,000
Refined products imports (bbls.)	13,534,000	13,032,000	11,688,000
Indicated consumption domestic and export (bbls.)	238,409,000	236,998,000	233,904,000
Increase all stock (bbls.)	7,694,000	‡‡7,014,000	‡‡1,841,000
AMERICAN ZINC INSTITUTE, INC.—Month of May:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	84,188	83,011	80,430
Shipments (tons of 2,000 lbs.)	74,665	85,592	77,567
Stocks at end of period (tons)	32,946	23,423	17,411
Unfilled orders at end of period (tons)	41,494	56,838	73,942
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. — U. S. DEPT. OF LABOR — Month of March (000's omitted):			
All building construction	$757,273	$595,214	$822,674
New residential	475,961	371,797	446,077
New nonresidential	193,885	146,739	283,834
Additions, alterations, etc.	87,427	76,678	92,763
BUSINESS INVENTORIES DEPT. OF COMMERCE NEW SERIES — Month of Mar. (millions of dollars):			
Manufacturing	$42,313	*$42,193	$35,557
Wholesale	9,736	9,717	9,940
Retail	17,833	*17,975	19,743
Total	$69,882	*$69,885	$65,240
METAL PRICES (E. & M. J. QUOTATIONS)—			
Average for month of May:			
Copper (per pound)—			
Electrolytic domestic refinery	24.200c	24.200c	24.200c
Electrolytic export refinery	27.908c	27.425c	25.471c
Lead (per pound)—			
Common, New York	15.731c	18.923c	17.000c
Common, St. Louis	15.531c	18.723c	16.800c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	85.405c	88.000c	90.160c
Silver, London (pence per ounce)	74.761d	77.000d	78.500c
Sterling Exchange (Check)	$2.80063	$2.80722	$2.80000
Zinc (per pound)—East St. Louis	19.500c	19.500c	17.500c
Tin (per pound)—			
New York Straits	121.500c	121.500c	139.923c
§§New York, 99% min.	120.500c	120.500c	138.923c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$199.615	$203.769	$212.923
¶Antimony (per pound) (E. & M. J.)	45.542c	52.196c	45.300c
Antimony (per pound) bulk, Laredo	42.077c	48.846c	42.000c
Antimony (per pound) in cases, Laredo	42.577c	49.346c	42.500c
Platinum, refined (per ounce)	$90.000	$90.000	$90.000
†Cadmium (per pound)	$2.38846	$2.55000	$2.55000
‡Cadmium (per pound)	$2.48654	$2.67500	$2.67500
§Cadmium (per pound)	$2.58462	$2.80000	$2.80000
Cobalt, 97%	$2.40000	$2.40000	$2.10000
Aluminum, 99% plus, ingot (per pound)	19.000c	19.000c	19.000c
Magnesium, ingot (per pound)	24.500c	24.500c	24.500c
**Nickel	56.500c	56.500c	50.500c
NEW YORK STOCK EXCHANGE—			
As of April 30 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers net debt balances	$1,314,867	$1,293,081	$1,285,737
Credit extended to customers	38,223	39,002	44,824
Cash on hand and in banks in U. S.	360,840	351,748	375,073
Total of customers' free credit balances	755,627	765,722	879,267
Market value of listed shares	107,847,909	113,098,985	102,747,277
Market value of listed bonds	97,354,991	96,699,300	100,247,400
Member borrowings on U. S. Govt. issues	100,504	41,954	47,716
Member borrowings on other collateral	851,588	765,793	700,814
PORTLAND CEMENT (BUREAU OF MINES)—			
Month of April:			
Production (barrels)	19,817,000	18,095,000	20,184,000
Shipments from mills (barrels)	21,764,000	15,993,000	20,921,000
Stocks (at end of month—barrels)	24,675,000	26,621,000	22,511,000
Capacity used	86%	78%	91%
RAILROAD EARNINGS — CLASS I ROADS (ASSOCIATION OF AMERICAN RRS.)—			
Month of April:			
Total operating revenues	$847,478,130	$875,471,342	$851,552,893
Total operating expenses	667,433,379	675,135,230	666,715,647
Operating ratio	78.76%	77.12%	78.29%
Taxes	$93,229,105	$109,556,719	$92,985,385
Net railway operating income before charges	72,312,900	76,638,824	72,689,501
Net income after charges (est.)	45,000,000	51,000,000	46,000,000
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION —Month of March (000's omitted):			
Savings and loan associations	$494,321	$428,443	$431,528
Insurance companies	118,446	114,626	145,038
Bank and trust companies	282,830	256,379	289,724
Mutual savings banks	71,410	68,843	75,979
Individuals	223,840	207,045	211,467
Miscellaneous lending institutions	202,470	195,572	215,548
Total	$1,393,317	$1,270,908	$1,369,284
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission) —Month of February:			
Net railway operating income	$75,894,507	$66,066,879	$18,975,852
Other income	16,279,736	17,995,189	17,570,510
Total income	92,174,243	84,062,068	36,546,362
Miscellaneous deductions from income	4,312,477	4,460,742	4,126,335
Income available for fixed charges	87,861,766	79,601,326	32,420,027
Income after fixed charges	52,154,361	44,292,458	(d) 366,911
Other deductions	2,910,608	2,929,375	3,045,579
Net income	49,243,753	41,363,083	(d) 3,412,490
Depreciation (way & structures & equip.)	38,835,544	38,891,509	37,194,255
Amortization of defense projects	------	------	------
Federal income taxes	52,343,847	46,242,662	21,803,352
Dividend appropriations:			
On common stock	28,196,207	5,469,706	26,244,118
On preferred stock	16,419,143	7,086,658	32,525,780
Ratio of income to fixed charges	2.46	2.25	.99

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ¶Domestic, five tons or more but less than carload lot packed in cases, f.o.b. New York. **F.O.B. Port Colburne, N. S., U. S. duty included. §§Tin contained. ‡‡Decrease all stocks.
d Reverse item.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Admiral Corp., Chicago, Ill.
June 2 filed 41,669 shares of capital stock (par $1) to be offered in exchange for common stock of Canadian Admiral Corp., Ltd., at rate of one share of Admiral stock for each two shares of Canadian Admiral stock held. **Dealer-Manager**—Dempsey & Co., Chicago, Ill.

★ **Aegis Casualty Insurance Co., Denver, Colo.**
June 4 (letter of notification) 75,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To expand insurance business. **Office**—Suite 702, E. & C. Building, 930 17th Street, Denver 2, Colo. **Underwriter**—Aegis Corp., Denver, Colo.

★ **Allen (R. C.) Business Machines, Inc. (6/26)**
June 6 filed 144,000 shares of common stock (par $1). **Price**—To be supplied by amendment (maximum $11 per share). **Proceeds**—To Ralph C. Allen, President, the selling stockholder. **Office**—Grand Rapids, Mich. **Underwriters**—A. C. Allyn & Co., Inc., and Shillinglaw, Bolger & Co., both of Chicago, Ill.

Ameranium Mines, Ltd., Toronto, Canada
May 28 filed 2,079,871 shares of capital stock (par $1), of which 908,845 shares are to be offered to public by company, 108,847 shares by underwriter and 666,171 shares to be reoffered under rescission offer. **Price**—70 cents per share. **Proceeds**—For prospecting, drilling expenses, etc. **Underwriter**—I. Nelson Dennis & Co., Toronto, Canada.

American Gas & Electric Co. (6/18)
May 21 filed $20,000,000 of sinking fund debentures due 1977, and 170,000 shares of common stock (par $10). **Proceeds**—To be invested in common stocks of Appalachian Electric Power Co. and Ohio Power Co. and to repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) On bonds—Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; First Boston Corp.; Union Securities Corp.; Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler. (2) On stock—Blyth & Co., Inc. and Goldman, Sachs & Co. (jointly); First Boston Corp.; Union Securities Corp. **Bids**—To be received up to 11 a.m. (EDT) on June 18.

● **American Investment Co. of Illinois (6/16-19)**
May 16 filed 100,000 shares of cumulative prior preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for general corporate purposes. **Underwriters**—Kidder, Peabody & Co., New York, and Alex. Brown & Sons, Baltimore, Md. **Offering**—Expected week of June 16.

★ **American States Oil Co.**
May 28 (letter of notification) 575,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For acquisition, exploration and development of oil and gas leases. **Underwriter**—Greenfield & Co., Inc., New York. **Offering**—Expected today or tomorrow.

American Telephone & Telegraph Co. (6/26)
May 22 filed between $490,000,000 and $510,000,000 of 12-year 3½% convertible debentures, due July 31, 1964 (convertible through July 31, 1962, into common stock beginning Sept. 30, 1952, at $136 per share, payable by surrender of $100 of debentures and $36 in cash), to be offered for subscription by stockholders of record June 16 at rate of $100 of debentures for each seven shares held; rights to expire July 31, 1952. Rights will be mailed on or about June 26. **Price**—At par. **Proceeds**—For advances to subsidiary and associated companies. **Underwriter**—None.

American Telephone & Telegraph Co.
May 26 filed 3,000,000 shares of common stock (par $100) to be offered pursuant to "Employees' Stock Plan" to employees of company and related companies. **Price**—$20 below average market price for month in which payment is completed or next succeeding month (whichever is lower). **Proceeds** — For property additions and improvements and other corporate purposes. **Underwriter**—None.

Andowan Mines, Ltd., Port Arthur, Ont., Canada
May 8 filed 500,000 shares of common stock (par $1). **Price**—38 cents per share. **Proceeds**—For exploratory drilling and improvement on present holdings. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

● **Armstrong Rubber Co., West Haven, Conn.**
May 26 (letter of notification) 1,000 shares of class A common stock (no par). **Price**—At market (estimated at $22 per share). **Underwriter** — Gruntal & Co., New Haven. **Proceeds**—To Frederick Machlin, President, who is the selling stockholder.

★ **Armstrong Rubber Co., West Haven, Conn.**
June 6 (letter of notification) 500 shares of class A common stock. **Price** — $21 per share. **Proceeds** — To James A. Walsh, Sr., Chairman, who is the selling stockholder. **Underwriter**—Gruntal & Co., New Haven, Conn.

● **Associated Telephone Co., Ltd. (Calif.) (6/24)**
June 4 filed 350,000 shares of 5% cumulative preferred stock, 1947 series (par $20). **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—To be named by amendment. Previous preferred stock financing was handled by Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp., and Mitchum, Tully & Co.

Babbitt (B. T.), Inc.
May 9 (letter of notification) 9,670 shares of common stock (par $1). **Price**—At market (about $7.12½ per share). **Proceeds**—To Elizabeth M. Blatner, the selling stockholder. **Underwriter**—None, but Bache & Co., New York, will act as broker.

NEW ISSUE CALENDAR

June 12, 1952
Chicago & North Western Ry.________Equip. Tr. Ctfs. (Bids noon EDT)
Leitz (E.), Inc.________Common (Bids 3 p.m. EDT)

June 16, 1952
American Investment Co. of Illinois________Preferred (Kidder, Peabody & Co. and Alex. Brown & Sons)
Oklahoma Natural Gas Co.________Preferred (Bids 11 a.m. EDT)
Kentucky Utilities Co.________Bonds (Bids 11:30 p.m. CDT)
Tri-Tor Oils, Ltd.________Common (Peter Morgan & Co.)

June 17, 1952
Bristol-Myers Co., New York____Debs. & Common (Wertheim & Co.)
Public Service Co. of Indiana, Inc.________Preferred (Blyth & Co., Inc.)
Public Service Electric & Gas Co.____Debentures (Bids 11 a.m. EDT)
Sooner State Oil Co.________Common (Israel & Co.)

June 18, 1952
American Gas & Electric Co.____Debs. & Common (Bids 11 a.m. EDT)
Houston Lighting & Power Co.________Debentures (Halsey, Stuart & Co., Inc.)
LaPointe-Plascomold Corp.________Common (Offering to stockholders)
Public Service Co. of New Mexico________Common (Allen & Co.)
Southern Co.________Common (Bids 11:30 a.m. EDT)
West Virginia Production Co.________Preferred (Allen & Co. and Shea & Co., Inc.)

June 23, 1952
Central Louisiana Electric Co., Inc.________Bonds (Bids 11 a.m. EDT)
Midwest Pipe & Supply Co., Inc.________Common (G. H. Walker & Co.)
Public Service Co. of New Hampshire____Preferred (Bids 11 a.m. EDT)
Texas Eastern Transmission Corp.________Preferred (Dillon, Read & Co., Inc.)

June 24, 1952
Associated Telephone Co., Ltd.________Preferred (Underwriter to be named)
Boston Edison Co.________Bonds (Bids to be invited)
Gulf Power Co.________Bonds (Bids 11 a.m. EDT)
Public Service Co. of Indiana, Inc.________Bonds (Bids 11 a.m. CDT)
Safeway Stores, Inc.________Preferred (Merrill Lynch, Pierce, Fenner & Beane)
Southern New England Telephone Co.____Debentures (Bids 11 a.m. EDT)

June 25, 1952
California Water Service Co.________Common (Dean Witter & Co.)
Empire District Electric Co.________Common (The First Boston Corp. and G. H. Walker & Co.)
Martin (Glenn L.) Co.________Common (Offering to stockholders)
New England Power Co.________Bonds (Bids noon EDT)
Smith (S. Morgan) Co., Inc., York, Pa.____Common (The First Boston Corp.)
Texas General Production Co.________Common (Underwriter to be named)

June 26, 1952
Allen (R. C.) Business Machines, Inc.____Common (A. C. Allyn & Co. and Shillinglaw, Bolger & Co.)
American Telephone & Telegraph Co.____Debentures (Offering to stockholders)
Blockson Chemical Co.________Common (Goldman, Sachs & Co.)
Florida Power Corp.________Common (Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane)

June 30, 1952
Metals & Chemicals Corp.________Common (Beer & Co.)

July 1, 1952
General Public Utilities Corp.________Common (Offering to stockholders)
South Jersey Gas Co.________Common (Bids to be invited)

July 7, 1952
Bailey Selburn Oil & Gas Co., Ltd.________Common (Reynolds & Co. and McLeod, Young, Weir, Inc.)

July 8, 1952
Canada General Fund, Inc.________Common (Bache & Co. and Paine, Webber, Jackson & Curtis)
Georgia Power Co.________Bonds (Bids 11 a.m. EDT)

July 15, 1952
Commonwealth Edison Co., Chicago, Ill.____Bonds (Bids to be invited)
Deere & Co.________Debs. & Common (Harriman Ripley & Co., Inc.)

August 5, 1952
Pennsylvania Electric Co.____Bonds & Preferred (Bids to be invited)

★ **Band-it Co., Denver, Colo.**
June 4 (letter of notification) $200,000 of 6% debentures. **Price**—At par (in denominations of $1,000 each). **Proceeds** — For developmental costs and working capital. **Underwriters**—Peters, Writer & Christensen, Inc. and Sidlo, Simons, Roberts & Co., both of Denver, Colo.

★ **Blockson Chemical Co., Joliet, Ill. (6/26)**
June 6 filed 500,000 shares of common stock (par $7.50). **Price**—To be supplied by amendment. **Proceeds**—To certain selling stockholders. **Business**—Produces sodium phosphates, etc. **Underwriter**—Goldman, Sachs & Co., New York.

★ **Bonanza Oil & Mining Co., Salt Lake City, Utah**
June 5 (letter of notification) 450,000 shares of common stock (par 5 cents). **Price**—13½ cents per share. **Proceeds** — For development costs and working capital. **Office**—209 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—Stanley Pelz & Co., Inc., New York.

★ **Bondstock Corp., Tacoma, Wash.**
June 9 filed 100,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Frank Russell & Co., Tacoma, Wash.

★ **Boots Aircraft Nut Corp., Stamford, Conn.**
June 6 (letter of notification) $100,000 of 6% debentures and 2,000 shares of common stock (no par). **Price**—Sufficient to amount to a total of $90,000. **Proceeds**—For working capital. **Office**—50 John St., Stamford, Conn.

Boston Edison Co. (6/24)
May 27 filed $15,000,000 of first mortgage bonds, series D, due July 1, 1982. **Proceeds**—To repay bank loans and for capital expenditures. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Goldman, Sachs & Co. (jointly); Lehman Brothers; The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—Tentatively expected to be received on or about June 24.

● **Bridgeport Brass Co., Bridgeport, Conn.**
April 8 filed 125,732 shares of cumulative preferred stock (par $50-convertible through May 1, 1962) to be offered for subscription by common stockholders at rate of one preferred share for each seven and one-half shares of common held. **Price**—To be supplied by amendment. **Proceeds**—To redeem outstanding 3¾% serial debentures and repay 2½% notes. **Underwriters**—Hornblower & Weeks and Stone & Webster Securities Corp., New York. **Withdrawal**—Statement withdrawn June 2.

Bristol-Myers Co., New York (6/17)
May 28 filed $5,000,000 of 25-year debentures due June 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—Wertheim & Co., New York.

May 28 filed 199,937 shares of common stock (par $2.50) to be offered for subscription by common stockholders of record on or about June 17 at rate of one share for each seven shares held; rights to expire on or about July 1. **Price** — To be supplied by amendment. **Proceeds**—For expansion and general corporate purposes. **Underwriter**—Wertheim & Co., New York.

California Water Service Co. (6/25-26)
May 27 filed 50,000 shares of common stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

Cardiff Fluorite Mines, Ltd., Toronto, Canada
May 22 filed (amendment) 300,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For development expenses and general corporate purposes. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

Carpenter (L. E.) & Co., Wharton, N. J.
May 14 (letter of notification) 1,000 shares of common stock (par $1). **Price**—At market (about $3.12½ to $3.25 per share). **Proceeds**—To two selling stockholders. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

Celon Co., Madison, Wis.
April 17 (letter of notification) $110,000 of convertible subordinated debentures due 1965. **Price**—At par ($100 each). **Proceeds** — For working capital. **Office** — 2034 Pennsylvania Ave., Madison, Wis. **Underwriter**—None.

● **Central Louisiana Electric Co., Inc. (6/23)**
May 22 filed $4,000,000 of first mortgage bonds, series D, due 1982. **Proceeds**—For construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable

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Securities Corp.; White, Weld & Co., Shields & Co. and Kidder, Peabody & Co. (jointly); Lehman Brothers; The First Boston Corp.; Glore, Forgan & Co.; Salomon Bros. & Hutzler. **Bids**—To be received up to 11 a.m. (EDT) on or about June 23. Statement effective June 11.

Century Natural Gas & Oil Corp.
April 30 (letter of notification) 80,000 shares of common stock (par 10 cents). **Price**—40 cents per share. **Proceeds**—To Robert M. Allender and Judson M. Bell, two selling stockholders. **Underwriters**—Blair F. Claybaugh & Co., Harrisburg, Pa.

★ **Chief Joseph Mines, Inc.**
May 28 (letter of notification) 40,000 shares of capital stock. **Price**—25 cents per share. **Proceeds**—To explore and develop mining properties. **Office** — Room 320, Powell Building, Coeur d'Alene, Idaho. **Underwriter**—None, sales to be made through company officers.

Cinecolor Corp., Burbank, Calif.
May 9 filed $452,350 of five-year 5% subordinated sinking fund debentures due May 1, 1957 (with common stock purchase warrants attached) to be offered for subscription by common stockholders at rate of $1 of debentures for each two common shares held. **Price**—At par. **Proceeds**—To purchase voting control of Cinecolor (Great Britain), Ltd. and for working capital. **Business**—Two-color film process. **Underwriter**—None. **Warrants** — Will entitle holders to purchase 452,350 shares of common stock at par ($1 per share). They are exercisable to May 1, 1955.

Cities Service Co.
May 28 filed $4,090,000 of participations in the Employees Thrift Plan of Cities Service Co. and participating subsidiary companies and 40,000 shares of common stock purchasable under the plan. **Underwriter**—None.

Citizens Credit Corp., Washington, D. C.
April 10 (letter of notification) $125,000 of 6% subordinated debentures due 1969 (with warrants attached to purchase 3,750 shares of class A common stock at $15 per share and 750 shares of class B common at 25 cents per share). **Price**—At 99% and accrued interest. **Proceeds**—To acquire loan offices and subsidiaries. **Office**—1028 Connecticut Avenue, Washington 6, D. C. **Underwriter**—Emory S. Warren & Co., Washington, D. C.

Consolidated Industries, Inc.
March 17 (letter of notification) 200,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For construction of sulphuric acid, fertilizer and wood sugar plants. **Office**—174 North Main Street, Salt Lake City, Utah. **Underwriter**—None.

Consolidated Natural Gas Co., New York
April 30 filed 409,254 shares of capital stock (par $15) being offered for subscription by stockholders of record June 3 at rate of one share for each eight shares held (with an oversubscription privilege); rights to expire on June 20. **Price**—$52 per share. **Proceeds**—To purchase securities of company's operating subsidiaries which in turn will use the funds for property additions and improvements. **Underwriter**—None. Statement effective May 27.

★ **Continental Electric Equipment Co., Ludlow, Ky.**
June 3 (letter of notification) 500 shares of class A common stock and 500 shares of class B stock. **Price**—$100 per share. **Proceeds**—To purchase additional equipment. **Office**—10 Kenner St., Ludlow, Ky. **Underwriter**—None.

Continental Oil Co., Houston, Tex.
May 14 filed $26,000,000 of interests in The Thrift Plan for employees of this company, together with 400,000 shares of capital stock (par $5) purchasable under terms of the plan. **Underwriter**—None.

Continental Royalty Co., Dallas, Tex.
March 18 (letter of notification) 120,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—To purchase royalties and mineral deeds, oil and gas. **Office**—740 Wilson Building, Dallas Texas. **Underwriter** Southwestern Securities Co. and Hudson Stayart & Co., Inc., of Dallas, Texas.

Dean Co., Chicago, Ill.
April 10 (letter of notification) 4,000 shares of common stock (par $10). **Price**—$16.50 per share. **Proceeds**—To T. A. Dean, trustee under the will of J. R. Dean. **Office**—666 Lake Shore Drive, Chicago 11, Ill. **Underwriter**—Boettcher & Co., Denver, Colo.

Deardorf Oil Corp., Oklahoma City, Okla.
April 14 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For working capital. **Office**—219 Fidelity Bldg., Oklahoma City, Okla. **Underwriter**—None.

Deerpark Packing Co., Port Jervis, N. Y.
March 21 (letter of notification) 235,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To repay RFC loan of $41,050 and for working capital.

DeKalb-Ogle Telephone Co., Sycamore, Ill.
April 11 (letter of notification) 20,556 shares of common stock. **Price** — $10 per share. **Proceeds** — For general purposes. **Office**—112 West Elm Street, Sycamore, Ill. **Underwriter**—None.

★ **DeKalb-Ogle Telephone Co., Sycamore, Ill.**
June 3 (letter of notification) 720 shares of common stock. **Price**—$11 per share. **Proceeds**—For general corporate purposes. **Office**—112 West Elm St., Sycamore, Ill. **Underwriter**—None.

Detroit Steel Corp.
Feb. 5 filed $25,000,000 of 4⅞% first mortgage bonds due March 1, 1967. **Price** — To be supplied by amendment. **Proceeds**—To retire $13,950,000 of presently outstanding first mortgage bonds and for expansion program. **Underwriters**—Halsey, Stuart & Co. Inc. of Chicago and New York; Van Alstyne, Noel & Co., New York; and Crowell, Weedon & Co., Los Angeles, Calif. **Offering**—Postponed indefinitely. New financing plan being worked out.

Detroit Steel Corp.
Feb. 5 filed 600,000 shares of $1.50 convertible preferred stock (par $25). **Price**—To be filed by amendment. **Proceeds**—For expansion program. **Underwriters**—Van Alstyne, Noel & Co., New York, and Crowell, Weedon & Co., Los Angeles, Calif. **Offering** — Indefinitely postponed. New financing plan under consideration.

Devil Peak Uranium, Ltd. (Nev.)
April 7 (letter of notification) 600,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds** — For rehabilitation and development program. **Office** — Suite 839, 60 East 42nd St., New York 17, N. Y. **Underwriter**—Gardner & Co., White Plains, N. Y.

Devon-Leduc Oils, Ltd., Winnipeg, Canada
May 23 filed $1,000,000 of 10-year 5% convertible sinking fund mortgage bonds, due June 1, 1962. **Price**—100% of principal amount. **Proceeds**—To repay bank loans and for general corporate purposes. **Underwriter**—McLaughlin, Reuss & Co., New York.

Doman Helicopters, Inc.
June 2 (letter of notification) 25,000 shares of common stock (par $1) to be offered directly to company's stockholders and business associates. **Price**—$3 per share. **Proceeds**—For working capital. **Office**—545 Fifth Ave., New York 17, N. Y. **Underwriter**—None.

Duggan's Distillers Products Corp.
May 29 (letter of notification) 94,807 shares of common stock to be offered first for subscription by present stockholders, each purchaser of 100 shares to receive a bonus of 50 shares from the holdings of Charles A. Massis, who is the principal stockholder. **Price**—75 cents per share. **Proceeds**—For working capital. **Office**—248 McWharton St., Newark, N. J. **Underwriter**—None.

Duquesne Natural Gas Co., Washington, Pa.
May 28 (letter of notification) a maximum of 92,783 shares of common stock (par one cent) to be offered for subscription by stockholders of record June 13 at rate of one new common share for each five common shares held, two new common shares for each preferred share held and six new shares of common stock for each share of preference stock held (with an oversubscription privilege). Rights expire July 15. **Price**—$1 per share. **Proceeds** — For working capital. **Underwriters** — Bioren & Co., Philadelphia, Pa.; Hourwich & Co., New York; and C. T. Williams & Co., Inc., Baltimore, Md. Unsubscribed shares (not exceeding 75,000 shares), will be publicly offered at $1.25 per share.

Eastern Stainless Steel Corp., Baltimore, Md.
April 7 (letter of notification) 4,000 shares of common stock (par $5). **Price**—At market (approximately $15 per share). **Proceeds**—To J. M. Curley, the selling stockholder. **Underwriter**—Hornblower & Weeks, New York.

Empire District Electric Co. (6/25)
June 3 filed 150,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Underwriters**—The First Boston Corp., New York, and G. H. Walker & Co., St. Louis.

★ **Excelsior Insurance Co. of New York**
June 3 (letter of notification) 10,596 shares of common stock (par $6). **Price**—$8.85 per share. **Proceeds**—To Virginia Fire & Marine Insurance Co., Richmond, Va. **Underwriter**—None. These shares were sold during period between April 12 and April 22, 1952. An offer of rescission is being made to the purchasers.

Federal Electric Products Co.
April 10 (letter of notification) 35,000 shares of class A common stock (par $1) to be offered to employees. **Price**—$8 per share. **Proceeds**—For working capital. **Office**—50 Paris Street, Newark 5, N. J. **Underwriter**—None.

★ **Federal Services Finance Corp., Washington, D. C.**
June 2 filed $300,000 of 5½% convertible subordinated debentures, due 1962. **Price**—At par (in denominations of $100 and multiples thereof). **Proceeds**—For working capital. **Office**—718 Jackson Place N. W., Washington, D. C. **Underwriters**—Mackall & Coe, Johnston, Lemon & Co. and Goodwyn & Olds, all of Washington, D. C.

Fenimore Iron Mines, Ltd., Toronto, Canada
Jan. 25 filed 4,007,584 shares of common stock (par $1) and 2,003,792 common stock purchase warrants of which 2,003,792 shares are to be offered to present common stockholders at 75 cents per share (Canadian funds) on a basis of one new share for each two shares held. Subscribers will receive, for each share subscribed, a warrant to purchase one additional share at $1.25 (Canadian funds) per share until June 1, 1953, or an additional 2,003,792 shares. Unsubscribed shares will be offered by the company at the same price and carrying the same warrants. **Proceeds**—To finance drilling program. **Underwriter**—None. Statement effective March 10.

★ **Fischer & Porter Co., Hatboro, Pa.**
June 9 (letter of notification) an undetermined number of shares of class A preference stock (no par) sufficient to raise $130,000 being first offered on June 23 in exchange for debenture bonds using a price of $11.01 per share. **Proceeds**—For working capital. **Underwriter**—None.

Flathead Petroleum Co., Monroe, Wash.
March 21 filed 600,000 shares of common stock (par 10 cents). **Price** — 50 cents per share. **Proceeds** — For equipment and drilling purposes. **Underwriter**—None.

★ **Florida Power Corp., St. Petersburg, Fla. (6/26)**
June 6 filed 309,300 shares of common stock (par $7.50) to be offered for subscription by common stockholders at rate of one new share for each five shares held. **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Underwriters**—Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

Fluor Corp., Ltd., Los Angeles, Calif.
May 28 (letter of notification) 6,450 shares of capital stock (par $2.50). **Price**—At market. **Proceeds**—To John S. Fluor, President, the selling stockholder. **Underwriter**—William R. Staats Co., Los Angeles, Calif.

★ **Form Moulding, Inc., Marion, Ind.**
June 6 (letter of notification) 100,000 shares of class A stock and 11,740 shares of class B stock, of which only 71,195 shares of class A stock are being sold by the company, and the balance by several selling stockholders. **Price**—For class A, $2.25 per share; and for class B, $1.25 per share. **Proceeds**—To company; will be used for expansion. **Office**—226 West Second St., Marion, Ind. **Underwriter**—None.

Gar Wood Industries, Inc., Wayne, Mich.
May 23 filed 95,460 shares of common stock (par $1) to be offered in exchange for United Stove Co. common stock at rate of one share of Gar Wood for each three shares of United. **Underwriter**—None.

General Contract Corp. (formerly Industrial Bancshares Corp.), St. Louis, Mo.
May 26 filed 110,000 shares of common stock (par $2), 15,500 shares of preferred stock (par $100) and 50,000 shares of preferred stock (par $20) to be offered in exchange for stock of Securities Investment Co. of St. Louis at rate of 1 1/10 shares of common stock and one-half share of $20 par preferred stock for each S.I.C. common share and one share of $100 par preferred stock for each S.I.C. $100 preferred share. **Underwriter**—None.

● **General Public Utilities Corp. (7/1)**
June 4 filed 531,949 shares of common stock (par $5) to be offered for subscription by common stockholders of record July 1 on the basis of one new share for each 15 shares held; rights to expire on July 15. **Price**—To be supplied by amendment. **Proceeds**—To repay notes, invest in common stocks of domestic subsidiaries and for other corporate purposes. **Underwriter**—None. Company to act as its own dealer-manager, with Merrill Lynch, Pierce, Fenner & Beane as clearing agent.

★ **Georgia Power Co. (7/8)**
June 6 filed $20,000,000 of first mortgage bonds due 1982. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Morgan Stanley & Co., The First Boston Corp., Lehman Brothers, Kuhn, Loeb & Co., Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Shields & Co. and Salomon Bros. & Hutzler (jointly); Union Securities Corp. and Equitable Securities Corp. (jointly); Harriman Ripley & Co. Inc. **Bids**—Expected on July 8 at 11 a.m. (EDT).

★ **Gristede Bros., Inc., New York**
June 4 (letter of notification) 5,000 shares of class A non-voting common stock (par $50) to be offered to certain employees. **Price**—$55 per share. **Proceeds**—To finance additional inventory, additional accounts receivable and for improvements to stores. Office, 1601 Bronxdale Ave., New York 61, N. Y. **Underwriter**—None.

Gulf Power Co., Pensacola, Fla. (6/24)
May 23 filed $7,000,000 of first mortgage bonds due 1982. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Coffin & Burr, Inc.; The First Boston Corp., Kidder, Peabody & Co.; Union Securities Corp.; Equitable Securities Corp.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Beane, Salomon Bros. & Hutzler and Drexel & Co. (jointly). **Bids** — Expected to be opened on or about June 24 at 11 a.m. (EDT)

● **Hahn Aviation Products, Inc.**
May 20 (letter of notification) 12,500 shares of common stock (par $1) being offered for subscription by stockholders of record June 3; rights to expire on June 13. **Price** — $2.50 per share. **Proceeds** — For engineering, acquisition of machinery, and other corporate purposes. **Office**—2636 North Hutchinson St., Philadelphia 33, Pa. **Underwriter**—None.

Hamilton Land Co., Reno, Nev.
April 14 (letter of notification) 300,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—To acquire ore dumps and for oil leases and royalties. **Office**—139 North Virginia St., Reno, Nev. **Underwriter**—Nevada Securities Corp.

Hecla Mining Co., Wallace, Ida.
Jan. 17 (letter of notification) 3,000 shares of capital stock (par 25 cents). **Price**—At market (approximately $18 per share). **Proceeds**—To Mrs. M. K. Pollard, the selling stockholder. **Underwriter**—Thomson & McKinnon, New York.

★ **Hixon Placers, Inc., Seattle, Wash.**
June 9 filed 878,736 shares of common stock. **Price**—50 cents per share. **Proceeds**—For mining development, etc. **Underwriter**—None, sales to be made through agents, including officers and directors, who will receive a commission of 10 cents per share sold.

● **Houston Lighting & Power Co. (6/18)**
May 29 filed $14,265,550 of 3¼% convertible debentures due June 30, 1967 to be offered for subscription by common stockholders of record June 17 at rate of $50 principal amount of debentures for each 16⅔ shares held; rights to expire on July 7. **Price**—100% of principal amount. **Proceeds**—To repay bank loans and for new

construction. **Underwriter**—Halsey, Stuart & Co., Inc., Chicago and New York.

Huyck (F. C.) & Sons
May 16 filed 60,000 shares of cumulative convertible prior preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—To redeem $5 class B preferred stock and for working capital. **Business**—Mechanical fabrics for industry and blankets and apparel cloth. **Underwriter**—Kidder, Peabody & Co., New York. **Offering**—Postponed indefinitely.

★ **Idaho Maryland Mines Corp.**
June 6 filed 200,000 shares of common stock (par $1). **Price**—At market (on the San Francisco Stock Exchange). **Proceeds**—To selling stockholder (Gwendolyn MacBoyle Betchtold, as executrix of the last will and testament of Errol Bechtold, deceased). **Office**—San Francisco, Calif. **Underwriter**—None.

Illinois Bell Telephone Co.
May 15 filed 682,454 shares of capital stock being offered for subscription by stockholders of record May 29 at rate of one share for each four shares held; rights to expire July 1. **Price**—At par ($100 per share). **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent (owner of 99.31% of Illinois Bell stock). **Underwriter**—None. Statement effective May 29.

Industrial Wire Cloth Products Corp.
May 16 (letter of notification) 1,700 shares of common stock. **Price** — $7.50 per share. **Proceeds** — To Kenneth Foust, the selling stockholder. **Office**—3927 Fourth St., Wayne, Mich. **Underwriter**—Manley, Bennett & Co., Detroit, Mich.

Inland Oil Co. (Nev.), Newark, N. J.
Feb. 26 (letter of notification) 599,700 shares of class A common stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For drilling and equipping well and for working capital. **Office**—11 Commerce St., Newark, N. J. **Underwriter**—Weber-Millican Co., New York.

Instant Beverage, Inc., Omaha, Neb.
May 6 (letter of notification) 30,000 shares of common stock (no par). **Price** — $5 per share. **Proceeds** — For working capital. **Office**—2716 Country Club Avenue, Omaha, Neb. **Underwriter**—None.

International Technical Aero Services, Inc.
Feb. 15 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—International Terminal, Washington National Airport, Washington, D. C. **Underwriter**—James T. DeWitt & Co., Washington, D. C.

★ **Investors Acceptance Corp., Seattle, Wash.**
May 29 (letter of notification) approximately 12,850 shares (not to exceed 12,900 shares) of common stock (par $10), to be offered to the unit holders in the Silver Tip Mining Association, at the rate of $1.25 par value of stock for each $1 invested by the unit holders. There are presently outstanding units representing an investment of $102,796 for which about $128,495 of par value stock will be issued. **Office**—215 Central Bldg., Seattle, Wash. **Underwriter**—None.

Jersey Yukon Mines Ltd., Toronto, Canada
March 20 filed 200,000 shares of common stock (par $1). **Price**—$1 per share (Canadian funds). **Proceeds**—For capital payments on property account and option agreements, purchase of machinery and operating expenses. **Underwriter**—None.

Johnston Adding Machine Co., Carson City, Nev.
March 5 (letter of notification) 150,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—To purchase tools and materials and office equipment. **Underwriter**—None.

Junction City (Kansas) Telephone Co.
Feb. 29 (letter of notification) $294,000 of first mortgage 4½% bonds, series A, due Feb. 1, 1977 (in denominations of $1,000 each). **Proceeds**—To retire bank loans. **Underwriter**—Wachob-Bender Corp., Omaha, Neb.

Justheim Petroleum Co., Salt Lake City, Utah
May 26 (letter of notification) 1,000,000 shares of common stock (par five cents). **Price**—Six cents per share. **Proceeds**—For acquisition and development of oil and gas properties. **Underwriter** — Harrison S. Brothers & Co., Salt Lake City, Utah.

Kansas-Colorado Utilities, Inc., Lamar, Colo.
March 14 (letter of notification) 5,866 shares of common stock. **Price**—$12.75 per share. **Proceeds**—To Sullivan-Brooks Co., Inc., the selling stockholder. **Office**—112 West Elm St., Lamar, Colo. **Underwriter** — Sullivan-Brooks Co., Inc., Wichita, Kan.

● **Kansas Gas & Electric Co.**
April 30 filed 200,000 shares of common stock (no par). **Price** — Expected at $33.37½ per share. **Proceeds** — To repay bank loans and for new construction. **Underwriters**—Glore, Forgan & Co. and Goldman, Sachs & Co. (jointly) who were awarded the issue on June 10. Statement effective May 28.

● **Kentucky Utilities Co. (6/16)**
May 19 filed $12,000,000 of first mortgage bonds, series D, due June 1, 1982. **Proceeds** — For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); The First Boston Corp. and Lehman Brothers jointly); Blyth & Co., Inc.; Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Equitable Securities Corp. **Bids**—To be received up to 11:30 p.m. (CDT) on June 16.

● **Kerite Co., New York**
May 29 (letter of notification) 7,261 shares of common stock (par $10), being offered for subscription by common stockholders at rate of one share for each 20 shares held on May 23; rights expire on June 20. **Price**—$20 per share. **Proceeds**—For expansion. **Office**—30 Church St., New York 7, N. Y. **Underwriter**—None.

Kirk Uranium Corp., Denver, Colo.
March 24 (letter of notification) 1,000,000 shares of common stock. **Price** — 30 cents per share. **Proceeds** — For exploration work. **Office** — 405 Interstate Trust Building, Denver, Colo. **Underwriter**—Gardner & Co., White Plains, N. Y.

Lapaco Chemicals, Inc., Lansing, Mich.
March 18 (letter of notification) 200,787 convertible notes (each note convertible into $1 par class B stock). **Price**—90 cents each. **Proceeds** — For working capital and investment. **Office**—1800 Glenrose Ave., Lansing 2, Mich. **Underwriter**—None.

● **LaPointe-Plascomold Corp. (6/18)**
May 29 filed 230,485 shares of common stock (par $1), of which 190,485 shares are to be offered for subscription by stockholders of record June 18 at rate of one share for each share held, and 40,000 shares are to be issued upon exercise of stock options by officers and employees. **Price**—$2.75 per share. **Business**—Manufacture of television accessories. **Underwriter**—None.

Lincoln Telephone & Telegraph Co.
May 19 (letter of notification) 10,002 shares of common stock (par $16.67) being offered for subscription by common stockholders at rate of one share for each 16 shares held as of April 30; rights to expire on June 24. **Price**—$25 per share. **Proceeds** — To increase working capital. **Office**—1342 M St., Lincoln, Neb. **Underwriter**—None.

Link-Belt Co., Chicago, Ill.
May 5 filed 21,636 shares of common stock (par $5), to be offered to a select group of officers and employees of the company and its subsidiaries. **Price**—$35 per share. **Proceeds**—For working capital. **Underwriter**—None.

★ **Mad Anthony Players, Inc., Toledo, Ohio**
June 6 (letter of notification) 500 shares of common stock (no par). **Price**—$20 per share. **Proceeds**—For working capital. **Office**—1960 Princeton Drive, Toledo 14, Ohio. **Underwriter**—None.

Magar Home Products, Inc., Geneva, Ill.
May 22 (letter of notification) 3,000 shares of common stock (par one cent). **Price**—At market (approximately 75 cents per share). **Proceeds**—To T. E. Myers, the selling stockholder. **Office**—15 South First Street, Geneva, Ill. **Underwriter**—Reynolds & Co., New York, and Chicago, Ill.

● **Martin (Glenn L.) Co. (6/25)**
May 29 filed 761,859 shares of common stock (par $1) to be offered for subscription by stockholders of record on June 25 (other than Glenn L. Martin) at the rate of nine shares for each 10 shares held; rights to expire on July 17. **Price**—$6 per share. **Proceeds**—To repay convertible notes. **Underwriter**—None.

★ **Mayfair Markets, Los Angeles, Calif.**
June 3 (letter of notification) 5,000 shares of preferred stock (par $50) and 5,000 shares of common stock (no par) to be offered in units of one preferred and one common share. **Price**—$60 per unit. **Proceeds**—To pay expansion costs. **Office**—4383 Bandini Blvd., Los Angeles, Calif. **Underwriter**—None.

★ **Metal Forming Corp., Elkhart, Ind.**
June 2 (letter of notification) 2,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—To Paul J. Berkholder, the selling stockholder. **Office**—1937 Sterling Ave., Elkhart, Ind. **Underwriter**—W. F. Martin, Inc., Elkhart, Ind.

★ **Middlesex Water Co.**
June 4 (letter of notification) 5,200 shares of common stock (no par) being offered for subscription by both preferred and common stockohlders at the rate of one share of new stock for each five shares of either class of stock held as of record June 10; rights will expire July 1. **Price**—$50 per share. **Proceeds**—To repay bank loans. **Underwriter**—Clark, Dodge & Co., New York.

● **Midwest Pipe & Supply Co., Inc. (6/23-24-25)**
May 19 filed 100,938 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To go to selling stockholders. **Underwriter**—G. H. Walker & Co., St. Louis and New York.

Monty's Stores, Inc., Seattle, Wash.
May 16 (letter of notification) $100,000 of 7% 10-year convertible bonds (in denominations of $500 and $1,000 each) and 10,000 shares of common stock (par $10). **Price**—At par. **Proceeds**—For working capital and expansion. **Office**—208 Third Ave., South, Seattle, Wash. **Underwriter**—National Securities Corp., Seattle, Wash.

Morrow (R. D.) Co., Inc., Pittsburgh, Pa.
May 5 (letter of notification) 10,000 shares of 5% cumulative convertible preferred stock. **Price**—At par ($10 per share). **Proceeds**—For financing of Master TV antenna systems in apartment houses on a lease basis and for additional working capital. **Underwriter**—Graham & Co., Pittsburgh, Pa.

★ **Mt. Vernon (O.) Telephone Co.**
June 2 (letter of notification) 2,000 shares of 5% cumulative preferred stock to be offered initially to present preferred stockholders. **Price**—At par ($100 per share). **Proceeds**—To repay temporary bank loans. **Office**—15 E. Gambier St., Mt. Vernon, O. **Underwriter**—None.

★ **Mullins Manufacturing Corp., Salem, Ohio**
June 9 filed 82,000 shares of common stock (par $1), to be issued to certain supervisory employees under a stock option plan. **Underwriter**—None.

● **National Alfalfa Dehydrating & Milling Co.**
April 7 filed 69,800 shares of common stock (par $1) being offered for subscription by preferred and common stockholders in ratio of one new common share for each 10 shares of preferred or common stock held as of May 15; rights to expire June 17. **Price**—$9 per share. **Proceeds**—To acquire 305,000 shares of National Chlorophyll & Chemical Co. at $2 per share. **Business**—Manufacture and sale of alfalfa meal. **Office**—Lamar, Colo. **Underwriter**—None. Statement effective May 22.

● **National Chlorophyll & Chemical Co.**
April 7 filed 349,000 shares of common stock (par $1) being offered for subscription by preferred and common stockholders of National Alfalfa Dehydrating & Milling Co. of record May 15 in ratio of one share of National Chlorophyll common for each two shares of National Alfalfa preferred or common held in conjunction with offer by National Alfalfa company of its own stock; rights will expire on June 17. National Chlorophyll shares are offered for subscription only as part of a unit or package consisting of one National Alfalfa share at $9 per share and five shares of National Chlorophyll stock at $2 per share, or a total price per unit of $19. **Proceeds**—To purchase from National Alfalfa its existing chlorophyll extraction facilities and inventory and for construction of new extracting plant. **Office**—Lamar, Colo. **Underwriter**—None. Statement effective May 22.

★ **Nebraska City Industries, Inc. (Neb.)**
June 2 (letter of notification) $270,000 of 2½% 20-year first mortgage bonds (to be issued in denominations of $100, $500 and $1,000 each). **Proceeds**—For expansion costs. **Office**—115 South 8th St., Nebraska City, Neb. **Underwriter**—None.

★ **Nelsonating, Inc., Utica, N. Y.**
June 4 (letter of notification) 1,500 shares of preferred stock (par $20) and 1,500 shares of common stock (no par) to be offered in units of one share of each class. **Price**—$20 per unit. **Proceeds**—For working capital. **Underwriter**—Mohawk Valley Investing Co., Inc., Utica, N. Y.

New England Power Co. (6/25)
May 28 filed $5,000,000 of first mortgage bonds, series E, due June 1, 1982. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc.; Equitable Securities Corp. and Blair, Rollins & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co., Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—To be received up to noon (EDT) on June 25.

New Mexico Jockey Club, Albuquerque, N. M.
March 17 filed 1,255 shares of common stock (par $1,000). **Price**—At par. **Proceeds**—To construct racing plant and for working capital. **Underwriter**—None, but Dr. Frank Porter Miller of Los Angeles, Calif., will be "engaged to sell the securities to the public. Statement effective April 5 through lapse of time. Amendment necessary.

● **Northern States Power Co. (Minn.)**
May 1 filed 1,108,966 shares of common stock (par $5) being offered for subscription by common stockholders of record June 5 at rate of one share for each 10 shares held(with an oversubscription privilege); rights to expire June 23. **Price**—$10.50 per share. **Proceeds**—For construction program. **Underwriters**—Lehman Brothers and Riter & Co. (jointly) who were awarded the issue on June 4. Statement effective May 23.

● **Oklahoma Natural Gas Co. (6/16)**
May 21 filed 160,000 shares of cumulative preferred stock, series B (par $50). **Proceeds**—To reduce bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kuhn, Loeb & Co., Harriman Ripley & Co., Inc. and Lehman Brothers (jointly); Stone & Webster Securities Corp.; Shields & Co. **Bids**—To be received up to 11 a.m. (EDT) on June 16.

● **Pacific Gas & Electric Co.**
May 21 filed 2,271,300 shares of common stock (par $25) being offered for subscription to stockholders of record June 10 in ratio of one share for each five shares held; rights to expire July 2 with subscription period to open June 16. **Price**—$30 per share. **Proceeds**—For construction program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York. Statement effective June 10.

★ **Penn Bayless Oil & Gas Co.**
June 3 (letter of notification) 2,250,000 shares of common stock (par one cent). **Price**—12½ cents per share. **Proceeds**—To acquire leaseholds and recondition wells and for working capital. **Underwriter**—West & Co., Jersey City, N. J.

★ **Penobscot Chemical Fibre Co., Boston, Mass.**
June 11 filed $1,250,000 of first mortgage bonds. **Price**—To be supplied by amendment. **Proceeds**—For expansion costs. **Business**—Wood chemicals. **Underwriters**—Coffin & Burr, Inc. and Chace, Whiteside, West & Winslow, Inc., both of Boston, Mass.

Peoples Finance Corp., Montgomery, Ala.
Dec. 19 (letter of notification) 15,000 shares of common stock (par $1). **Price**—$3 per share. **Underwriter**—Carlson & Co., Birmingham, Ala. **Proceeds**—To expand business. **Office**—5 South Court St., Montgomery, Ala.

Petroleum Finance Corp.
Feb. 5 (letter of notification) 60,000 shares of common stock (par $1) and 30,000 warrants to purchase 30,000 shares of common stock (warrants exercisable at $7.50 per share on or prior to April 1, 1954). Each purchaser of two common shares will receive one warrant. **Price**—$5 per share. **Proceeds**—For working capital. **Office**—Oklahoma City, Okla. **Underwriter**—George F. Breen, New York.

Power Condenser & Electronics Corp.
May 2 (letter of notification) $285,000 of 10-year 5% income notes due May 1, 1962, and 11,400 shares of common stock (par $1), to be sold in units of one $1,000 note

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and 30 shares of common stock. **Price**—$1,000 per unit. **Proceeds**—For working capital. **Office** — 60 State St., Boston, Mass. **Underwriter**—None.

Public Service Co. of Indiana, Inc. (6/17-18)
May 28 filed 800,000 shares of cumulative preferred stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Blyth & Co., Inc., New York.

Public Service Co, of Indiana, Inc. (6/24)
May 28 filed $25,000,000 of first mortgage bonds, series J, due July 1, 1982. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Blyth & Co., Inc.; The First Boston Corp.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—To be opened at 11 a.m. (CDT) on June 24.

Public Service Co. of New Hampshire (6/23)
May 28 filed 50,000 shares of preferred stock (par $100). **Proceeds**—For new construction and to repay short-term borrowings. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co., Inc. **Bids**—To be received up to 11 a.m. (EDT) on June 23.

● **Public Service Co. of New Mexico (6/18)**
May 28 filed 173,136 shares of common stock (par $5) to be offered for subscription by common stockholders at rate of one new share for each seven shares held on June 18; with rights to expire July 2. **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Underwriter**—Allen & Co., New York.

Public Service Electric & Gas Co. (6/17)
May 21 filed $40,000,000 of debenture bonds due June 1, 1972. **Proceeds**—For new construction and general corporate purposes. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. (jointly); Kuhn, Loem & Co. **Bids**—To be received up to 11 a.m. (EDT) on June 17 at 80 Park Place, Newark, N. J.

★ **Pyramid Oil & Gas Corp., West Palm Beach, Fla.**
June 5 (letter of notification) 162,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For development of oil and gas holdings. **Office**—825 First St., West Palm Beach, Fla. **Underwriter**—Willis E. Burnside & Co., Inc., New York.

Ridley Mines Holding Co., Grafton, N. D.
Feb. 15 filed 100,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For exploration and other mining purposes. **Business** — Uranium mining. **Underwriter**—None. Statement effective April 3.

● **Rochester Gas & Electric Co.**
May 15 filed $6,000,000 of first mortgage 3⅜ bonds, series N, due 1982. **Price** — Issuance planned at 101.42% to yield 3.30%. **Proceeds**—For new construction. **Underwriters**—Kidder, Peabody & Co. and White, Weld & Co. (jointly) who were awarded the bonds on June 11. Statement effective June 4.

● **Rose's 5, 10 & 25-Cent Stores, Inc.**
May 26 (letter of notification) 4,370 shares of common stock (par $10) being offered for subscription by stockholders of record June 9 at rate of one new share for each 33.325 shares held; rights to expire June 24. **Price**—$45 per share. **Proceeds**—For working capital. **Office**—218 C. Garnett St., Henderson, N. C. **Underwriter**—None.

★ **Safeway Stores, Inc., Oakland, Calif. (6/24)**
June 5 filed 200,000 shares of cumulative convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term loans and for construction and modernization program. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

St. Louis Midwest Co., St. Louis, Mo.
May 29 filed 55,000 shares of common stock (par $1) to be offered to a limited group of persons active in the management and affairs of Midwest Piping & Supply Co., Inc., St. Louis, Mo. **Price**—To be supplied by amendment. **Proceeds**—To purchase 55,000 shares of Midwest Piping common stock owned by the trustee under the wills of Hugo F. Urbauer and Ina C. Urbauer, deceased. **Underwriter** — G. H. Walker & Co., St. Louis, Mo., for unsubscribed shares.

Shawmut Association, Boston, Mass.
April 30 (letter of notification) 200 shares of common stock (no par). **Price**—At market (approximately $19 per share). **Proceeds**—To Walter S. Bucklin, the selling stockholder. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass.

Signal Mines, Ltd., Toronto, Canada
March 17 filed 600,000 shares of common stock of which 500,000 shares are for account of company. **Price**—At par ($1 per share). **Proceeds**—For exploration and development costs and working capital. **Underwriter**—Northeastern Securities Ltd.

Smith (S. Morgan) Co., Inc., York, Pa. (6/25)
May 29 filed 100,000 shares of capital stock (par $10), of which an unspecified number of shares are to be offered initially to stockholders who have not waived their preemptive rights to subscribe thereto. **Price**—To be supplied by amendment. **Proceeds** — From sale of stock, together with $3,500,000 to be received from private sale of an issue of sinking fund notes, to be used to repay bank loans, for expansion of plant facilities and for working capital. **Underwriter** — The First Boston Corp., New York.

★ **South Atlantic Gas Co., Savannah, Ga.**
June 5 (letter of notification) 29,600 shares of common stock. **Price**—$10 per share. **Proceeds**—To pay off bank debt. **Underwriter** — Johnson, Lane, Space & Co., Inc., Savannah, Ga.

★ **South Jersey Gas Co. (7/1)**
June 6 filed 154,230 shares of common stock (par $5). **Proceeds**—To The United Corp., the selling stockholder. **Underwriter**—To be determined by competitive bidding. Probable bidders: Allen & Co., Lehman Brothers and Bear, Stearns & Co. (jointly). **Bids**—Expected to be opened on or about July 1. **Registration**—May become effective on June 20.

Southern Co., Wilmington, Del. (6/18)
May 16 filed 1,004,510 shares of common stock (par $5) to be offered by company for subscription by common stockholders of record June 19 at rate of one share for each 16 shares held; rights to expire on or about July 10. **Price**—To be fixed by company on June 16. **Proceeds**—To increase investments in subsidiaries in furtherance of their construction programs. **Underwriters** — To be determined by competitive bidding. Probable bidders: Lehman Brothers; Morgan Stanley & Co.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—To be received up to 11:30 a.m. (EDT) on June 18. Statement effective June 4.

Southern New England Telephone Co. (6/24)
May 27 filed $15,000,000 of 33-year debentures due July 1, 1985. **Proceeds**—To repay indebtedness to American Telephone & Telegraph Co. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc., The First Boston Corp.; Lehman Brothers and Salomon Bros. & Hutzler (jointly); Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EDT) on June 24.

● **Standard Oil Co. of California**
May 5 filed $55,000,000 of interest in the Stock Plan for Employees of company and participating companies, together with 1,000,000 shares of capital stock of the company in which Plan funds may be invested. **Underwriter**—None. Statement effective June 5.

Standard Oil Co. (Ohio)
April 24 filed $2,025,000 interests in the Sohio Employees Investment Plan together with 30,000 common and 6,750 preferred shares of the company which may be purchased pursuant to the terms of the plan.

● **Storer Broadcasting Co.**
May 19 filed 215,000 shares of common stock (par $1), of which 200,000 shares are being sold by certain selling stockholders (170,000 to be offered publicly and 10,000 to certain employees; and 20,000 shares to the underwriters under option agreement) and the remaining 15,000 shares being reserved for sale by company to certain employees. **Price**—Of first 200,000 shares, to be supplied by amendment; of 15,000 shares by company, $10.62½ per share. **Proceeds**—For general corporate purposes. **Underwriters**—Reynolds & Co., New York, and Oscar E. Dooly & Co., Miami, Fla. **Offering**—Temporarily postponed.

★ **Strevell-Paterson Finance Co.**
June 2 (letter of notification) 5,000 shares of common stock and 5,000 shares of preferred stock to be offered publicly in units of one common and one preferred share. **Price**—$25.94 per share. **Proceeds**—For working capital. **Office**—54 West 7th South St., Salt Lake City, Utah. **Underwriter**—None.

Tennessee Gas Transmission Co.
May 26 filed $800,000 of employees funds, plus contributions of the company to be invested in two plans, viz: Class A, consisting of U. S. Savings Bonds; and Class B, consisting of investments in Tennessee Gas Transmission Co. securities and securities of other companies and investment funds. **Underwriter**—None.

Texas Eastern Transmission Corp. (6/23)
June 2 filed 250,000 shares of cumulative convertible preferred stock (par $100). **Price** — To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—Dillon, Read & Co., Inc., New York.

● **Texas General Production Co. (6/25)**
June 4 filed 2,500,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—To buy property for oil prospecting. **Underwriter**—None. To buy property for oil prospecting. **Office**—Houston, Tex. **Underwriter**—To be named by amendment (probably Hemphill, Noyes, Graham, Parsons & Co., New York.

★ **Texas Union Oil Corp., Houston, Tex.**
June 2 (letter of notification) not in excess of 500,000 shares of capital stock (par 1 cent), to be offered (at a valuation not in excess of the then market value) in consideration for oil, gas and mineral leasehold interests. When said interests of a valuation of $50,000 have been acquired in this manner, then the offering shall terminate even though the number of shares so offered and exchanged shall be less than 500,000. **Office**—605 M & M Bldg., Houston, Tex. **Underwriter**—None.

Tiger Tractor Corp., Keyser, W. Va.
May 13 (letter of notification) 180,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—East and Mozelle St., Keyser, W. Va. **Underwriter**—None.

Trans-Canada Petroleums, Ltd., Montreal, Canada
May 1 filed 1,000,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For exploration and drilling. **Underwriter**—Mallinson Weir, Inc., New York.

★ **Transue & Williams Steel Forging Corp.**
June 3 (letter of notification) 160 shares of capital stock. **Price**—At market (approximately $25.50 per share. **Proceeds** — To stockholders entitled to receive fractional shares in connection with recent stock dividend. **Underwriter**—None.

Tri-State Petroleum Co., Inc.
May 19 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For oil well development in New Mexico. **Office**—407 Shipley St., Wilmington 1, Del. **Underwriter**—Calvert Securities Corp., Wilmington, Del.

Tri-Tor Oils, Ltd., Montreal, Canada (6/16)
May 9 filed 1,000,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For construction and drilling expenses. **Business**—Production of oil and natural gas. **Underwriter**—Peter Morgan & Co., New York.

Uarco Inc., Chicago, Ill.
May 5 (letter of notification) 2,800 shares of common stock (par $10). **Price**—At market (estimated at $20.50 per share). **Proceeds**—To George Buffington, the selling stockholder. **Underwriter**—Kidder, Peabody & Co., New York.

★ **Victor Chemical Works, Chicago, Ill.**
June 9 filed 65,470 shares of common stock (par $5), issuable upon exercise prior to April 1, 1962 of stock options granted to designated employees. **Proceeds**—To be added to general funds of company and used for general corporate purposes. **Underwriter**—None.

Warren (Ohio) Telephone Co.
April 30 (letter of notification) 3,000 shares of $5 dividend preferred stock (no par) to be offered to stockholders in ratio of 0.21676 shares for each share already owned. **Price**—At $100 per share and accrued dividends. **Proceeds** — To reimburse treasury for capital expenditures already made. **Underwriter**—None.

Weisfield's, Inc., Seattle, Wash.
April 17 (letter of notification) 5,184 shares of common stock. **Price**—$54.25 per share. **Proceeds**—For working capital. **Office** — 1511 Fifth Avenue, Seattle 1, Wash. **Underwriter**—None.

● **West Virginia Production Co. (6/18)**
May 28 filed 300,000 shares of 10-cent cumulative preferred stock of $1 par value (convertible after Dec. 31, 1955) to be offered for subscription by common and preferred stockholders of West Virginia Water Service Co. on the following basis; one share for each common share held; 6 shares for each $5 preferred share(convertible into 6 common shares); and 5½ shares for each preferred share (convertible into 5½ common shares). **Price**—To be supplied by amendment. **Proceeds**—To drill wells and acquire acreage. **Underwriters**—Allen & Co., New York; and Shea & Co., Inc., Boston, Mass.

Western Pacific Insurance Co., Seattle, Wash.
April 21 (letter of notification) 13,018 shares of common stock. **Price**—$20 per share. **Proceeds**—To qualify company as a multiple line insurance carrier and to increase surplus. **Office**—Artic Bldg., 3rd and Cherry Sts., Seattle, Wash. **Underwriter** — Daugherty, Buchart & Cole, Seattle, Wash.

★ **Wisconsin Investment Co., Milwaukee, Wis.**
June 4 filed 1,000,000 shares of common stock (par $1). **Price**—At net asset value per share, plus distribution charge. **Proceeds**—For investment. **Underwriter**—Edgar Ricker & Co., Milwaukee. Wis.

Prospective Offerings

Aeroquip Corp.
Jan. 4, Don T. McKone, Chairman, announced that consideration was being given to the possibility of equity financing. On Feb. 18, stockholders voted to increase the authorized common stock to 1,000,000 from 750,000 shares, and to issue 37,500 shares as a 5% stock dividend. **Underwriter**—Watling Lerchen & Co., Detroit, Mich. **Proceeds**—For additional working capital.

Allis-Chalmers Manufacturing Co.
May 12 it was reported company may do some financing, the nature of which has not yet been determined. **Underwriter**—Blyth & Co., Inc.

American Barge Line Co.
May 27 stockholders approved a proposal to increase the authorized common stock (par $5) from 330,000 to 430,000 shares and approved a waiver of preemptive rights to subscribe for any of the additional shares. **Proceeds**—To finance purchase of equipment and terminal and warehouse facilities. **Traditional Underwriter**—F. Eberstadt & Co., Inc., New York.

Arkansas Power & Light Co.
March 14 it was reported company plans sale in October of $12,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp., and Central Republic Co. (Inc.) (jointly); Lehman Brothers and Stone & Webster Securities Corp. (jointly); Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.

Atlantic City Electric Co.
April 28 it was announced company may sell about $4,000,000 of preferred stock some time this Fall. **Proceeds**—For construction program. **Underwriters**—Probably Union Securities Corp. and Smith, Barney & Co., New York. Debt financing for approximately $3,000,000 planned in 1953.

Atlantic Refining Co.
March 21, Robert H. Colley, President, said in the company's annual report that "the time may be coming when additional financing will be required to supple-

ment retained earnings available for capital expenditures." The amount and timing of such financing cannot be presently announced. **Traditional Underwriter**—Smith, Barney & Co., New York.

● Bailey Selburn Oil & Gas Co., Ltd. (7/7-11)
May 20 it was reported this company, which will be the result of a merger of Selburn Oil Co., Ltd., and six other oil companies operating in western Canada, may issue and sell approximately 1,000,000 shares of common stock. **Underwriters**—Reynolds & Co., New York (for about 60% of the issue) and McLeod, Young, Weir, Inc., New York (for about 40% of issue). **Offering** — Expected week of July 7.

Banff Oil Co., Ltd. (Canada)
May 6 it was reported company plans to issue and sell an issue of about 1,000,000 shares of common stock. **Proceeds**—For drilling and exploration costs. **Registration**—Expected early in June with offering later in month. **Underwriter**—Lehman Brothers, New York.

California Electric Power Co.
May 8 it was reported company plans to issue and sell between $4,000,000 and $4,500,000 first mortgage bonds by competitive bidding and about $2,500,000 of preferred stock and $2,500,000 common stock probably through negotiated sale. Probable bidders for bonds: Halsey, Stuart & Co. Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Salomon Bros. & Hutzler. Underwriters for stock: Probably William R. Staats & Co.; Lester, Ryons & Co.; and Walston, Hoffman & Goodwin.

★ Canada General Fund, Inc. (7/8)
June 5 it was announced Fund (as a closed-end investment company) plans to issue and sell 1,350,000 shares of common stock (par $1). **Price**—Initially expected to be about $10 per share. **Proceeds**—For investment. **Business**—To become open-end investment firm following completion of stock offering. **Sponsor**—Vance, Sanders & Co., Boston, Mass., but initial offering will be made by Bache & Co. and Paine, Webber, Jackson & Curtis. **Registration**—Expected about the middle of June (probably June 18). **Offering** — Planned for July 8.

Canadian Palmer Stendel Oil Corp.
April 18 it was reported that 1,820,857 shares of common stock are to be offered for subscription by stockholders of Palmer Stendel Oil Corp. on a 1-for-2 basis. **Price**—At par (25 cents per share). **Underwriter**—Burnham & Co., New York.

Carolina Natural Gas Corp.
May 19 company sought FPC authority to a new 40-mile transmission line estimated to cost $3,150,000, to be financed by the issuance of $1,600,000 first mortgage bonds, $750,000 15-year debentures and $800,000 common stock. **Traditional Underwriter** — R. S. Dickson & Co., Charlotte, N. C.

Central Hudson Gas & Electric Corp.
March 4 it was reported company plans the sale this Fall of about $5,500,000 first mortgage bonds. **Latest** bond financing was done privately in March, 1951 through Kidder, Peabody & Co.

Central Maine Power Co.
May 15 stockholders increased authorized common stock (par $10) from 2,500,000 shares to 3,250,000 shares and preferred stock (par $100) from 300,000 shares to 330,000 shares. It is estimated that additional financing necessary this year will be in excess of $8,500,000.

Chicago & North Western Ry. (6/12)
May 16 company sought ICC permission to issue and sell $6,555,000 of equipment trust certificates to be dated July 1, 1952, and to mature in 15 annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Bear, Stearns & Co.; Salomon Bros. & Hutzler. **Bids**—To be received up to noon (EDT) on June 12 at 400 West Madison Street, Chicago 6, Ill.

● Cincinnati Enquirer, Inc.
June 5 this corporation was formed to take over the Cincinnati Enquirer for the sum of $7,600,000, of which $6,000,000 will be raised through the sale of bonds and by issue of capital stock of which the purchase of about $1,900,000 has been pledged. **Underwriter**—For bonds: Halsey, Stuart & Co. Inc., Chicago and New York.

Citizens Utilities Co.
May 13 the stockholders approved a proposal to increase the authorized common stock from 400,000 shares (par $1) to 2,000,000 shares (par 33⅓ cents) in order to provide for a 3-for-1 split-up of the present outstanding 283,729 shares of common stock and to permit the company to take advantage of any opportunities which may develop for property acquisitions requiring the issuance of common shares. **Traditional Underwriter**—Lee Higginson Corp., New York.

Columbus & Southern Ohio Electric Co.
April 26 it was announced company expects to enter the permanent financing market about the middle of 1952 with not less than 200,000 shares of new common stock. **Proceeds** — For construction program. **Underwriter** — Dillon Read & Co., Inc., New York.

Commonwealth Edison Co., Chicago, Ill. (7/15)
May 27, Charles Y. Freeman, Chairman, announced that it may be advisable to make an offering of mortgage bonds about the middle of July. **Proceeds**—For new construction. **Underwriters** — May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; The First Boston Corp.

Connecticut Light & Power Co.
March 1 it was announced that it is presently estimated that approximately $11,000,000 of additional capital will be required during the latter half of 1952.

Consolidated Gas, Electric Light & Power Co. of Baltimore
Dec. 24 it was stated that company plans to issue and sell both stocks and bonds during 1952 to an amount sufficient to raise approximately $22,000,000. **Underwriters**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and The First Boston Corp. (jointly); Harriman Ripley & Co., Inc. and Alex. Brown & Sons (jointly). The First Boston Corp., Alex. Brown & Sons and John C. Legg & Co (jointly) handled latest common stock financing, while White, Weld & Co. handled last preferred stock sale. **Proceeds**—For new construction.

Copperweld Steel Co.
April 30 stockholders approved a proposal to increase the authorized indebtedness from $5,000,000 to $15,000,000 (none presently outstanding) and the authorized preferred stock (par $50) to 137,727 shares from 37,727 shares, which are all outstanding. **Traditional Underwriter**—Riter & Co., New York.

Creameries of America, Inc.
April 14, G. S. McKenzie, President, stated that the company may do some long-term borrowing in about two months to finance expansion program. **Traditional Underwriters** — Kidder, Peabody & Co. and Mitchum, Tully & Co.

★ Deere & Co. (7/15)
June 6 it was announced company plans to raise $70,000,000 from the sale of new securities, viz: $50,000,000 of debentures and $20,000,000 of common stock. Stockholders on June 30 will vote on splitting up the common stock on a two-for-one basis, by issuance of two no par shares for each present outstanding $10 par share. **Proceeds**—For plant expansion and working capital. **Registration**—Tentatively scheduled for June 25. **Offering**—Expected on July 15. **Underwriter**—Harriman Ripley & Co., Inc., New York.

Duquesne Light Co.
May 13 it was announced stockholders will vote July 8 on increasing authorized preferred stock (par $50) from 800,000 shares to 1,000,000 shares. **Underwriters**—To be determined by Competitive bidding. Probable bidders: The First Boston Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Lehman Brothers; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly).

Food Fair Stores, Inc.
May 20 it was announced stockholders will vote Aug. 19 on increasing authorized indebtedness from $12,000,000 to $25,000,000 and to increase the authorized common stock from 2,500,000 to 5,000,000 shares. No immediate issuance of either debt securities or of common stock is contemplated. **Traditional Underwriter**—Eastman, Dillon & Co., New York.

Glass Fibres, Inc.
April 7 stockholders voted to increase authorized common stock from 1,000,000 shares (approximately 938,000 shares outstanding) to 1,250,000 shares to provide additional stock for future expansion needs. **Traditional Underwriter**—McCormick & Co., Chicago, Ill.

Globe-Wernicke Co.
March 26 stockholders increased authorized common stock from 300,000 shares (par $5) to 600,000 shares (par $7), placing the company in a position to consider from time to time stock dividends and the giving of stock rights or warrants to present stockholders. **Underwriters**—May include Westheimer & Co., Cincinnati, O. Previous public financing handled by W. E. Hutton & Co. and W. D. Gradison & Co., also of Cincinnati.

★ Gulf States Utilities Co.
June 2 Roy S. Nelson, President, announced the company plans to issue and sell 50,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Blyth & Co., Inc.; Lehman Brothers and Equitable Securities Corp. (jointly); Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly). **Offering**—Expected in July.

Honolulu (City and County of)
May 20 it was announced it is planned to issue and sell $6,000,000 bonds for construction of the Kalihi tunnel, $5,000,000 bonds for public school program, $1,600,000 bonds for public improvements and $1,000,000 for flood control.

Idaho Power Co.
Feb. 27 T. E. Roach, President, announced that the company's present plans consist of the sale this summer of about 225,000 additional shares of common stock (par $20), but no preferred stock. **Price**—At a minimum of $35 per share net to company. **Underwriters** — Latest common stock financing in April, 1949. was handled by Blyth & Co., Inc.; Lazard Freres & Co.; and Wegener & Daly Corp. **Proceeds**—To repay bank loans and for construction program.

Illinois Central RR.
May 21, stockholders approved proposal to increase the authorized common stock from 1,390,511 shares (par $100) to 3,500,000 shares (no par) in order to facilitate possible future financing by means of convertible debentures.

Kansas City Power & Light Co.
Jan. 4 company announced that it plans to issue and sell in 1952 about $12,000,000 principal amount first mortgage bonds (this is in addition to present preferred and common stock financing. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Blyth & Co., Inc. and Lazard Freres & Co. (jointly); The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Equitable Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—For new construction.

Laclede Gas Co.
See Mississippi River Fuel Corp. below.

Leitz (E.), Inc., New York (6/12)
May 14 it was announced that Office of Alien Property, 346 Broadway, New York 13, N. Y., will up to 3 p.m. (EDT) on June 12 receive bids for the purchase from the Attorney General of the United States of the corporation's 400 shares of no par common stock (total issue outstanding). **Business** — Manufactures and distributes photographic equipment and supplies. **Bidders**—May include Allen & Co., New York.

Lone Star Gas Co.
April 1 the FPC authorized the company to acquire additional properties at a cost of $5,598,129 and to build an additional 69.5 miles of transmission line at a cost of $4,010,200. It is also planned to spend about $31,000,000 in 1952 for additions to plant. Previous financing was done privately.

Maracaibo Oil Exploration Corp.
May 5 stockholders voted to increase the authorized $1 par value capital stock from 500,000 to 600,000 shares. No financing presently planned. No underwriting was involved in offer to common stockholders last October.

McCarthy (Glenn), Inc., Houston, Tex.
March 18 it was reported early registration is expected of 10,000,000 shares of common stock. **Price**—To be supplied by amendment (probably at $2 per share). **Underwriter**—B. V. Christie & Co., Houston, Texas.

● Mercantile National Bank of Chicago
June 3 common stockholders of record May 22 were given the right to subscribe for 25,000 additional shares on a 1-for-2½ basis; rights to expire June 23. **Price**—$25 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Glore, Forgan & Co., New York, and The Illinois Co., Chicago.

Metals & Chemicals Corp., Dallas, Tex. (6/30)
May 1 it was announced company plans registration of 200,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment (expected at $3 per share). **Proceeds**—For new mill and equipment and working capital. **Underwriter** — Beer & Co., Dallas, Texas. **Offering**—Expected around June 30.

Middle East Industries Corp., N. Y.
Oct. 31 it was announced company plans to expand its capitalization in the near future and to register its securities with the SEC preliminary to a large public offering, the funds to be used to build new industrial projects in Israel.

Minabi Exploration Co., Houston, Tex.
March 21 it was reported early registration is expected of 125,000 shares of common stock. **Proceeds**—To go to certain selling stockholders. **Underwriter** — Moroney, Beissner & Co., Houston, Tex.

Mississippi Power & Light Co.
March 14 it was reported company plans to issue and sell in November an issue of $8,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probably bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. and W. C. Langley & Co. (jointly); Equitable Securities Corp. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.

Mississippi River Fuel Corp.
W. G. Marbury, President, on May 26 announced that company will attempt to acquire control of Laclede Gas Co. as authorized by directors on May 22. This acquisition would cost about $20,000,000, with Laclede stockholders being offered cash or stock of Mississippi River Fuel Corp. in exchange for their holdings. If control cannot be acquired, Mississippi then will sell the 248,400 Laclede shares it now holds. **Underwriter**—Probably Union Securities Corp., New York.

● Pennsylvania Electric Co. (8/5)
June 3 it was announced that company plans to issue and sell $9,500,000 first mortgage bonds and $4,500,000 of preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) for bonds—Halsey, Stuart & Co. Inc., Kidder, Peabody & Co., Union Securities Corp. and White, Weld & Co. (jointly); Kuhn, Loeb & Co., A. C. Allyn & Co., Inc., Equitable Securities Corp., The First Boston Corp., Shields & Co. and R. W. Pressprich & Co. (jointly);. (2) for preferred—Smith, Barney & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kuhn, Loeb & Co., Lehman Brothers and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc.; Union Securities Corp.; The First Boston Corp. **Registration**—Expected about June 24. **Bids**—To be opened Aug. 5.

Permian Basin Pipeline Co., Chicago, Ill.
April 1 company applied to FPC for authority to construct a 384-mile pipeline system from west Texas and eastern New Mexico to the Panhandle area of Texas at an estimated cost of $58,180,000. Probable underwriters for convertible notes and stock; Stone & Webster Securities Corp.; and Glore, Forgan & Co., both of New York.

Philco Corp.
March 31 it was announced that stockholders will vote June 6 on authorizing an increase in indebtedness to $25,000,000, the funds to be used for capital expenditures. **Traditional Underwriter** — Smith, Barney & Co., New York.

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★ Pillsbury Mills, Inc.
June 4 it was announced stockholders on June 30 will vote on approving a proposal to issue and sell about $5,000,000 of common stock and to increase indebtedness of the company by $5,000,000. **Proceeds** — For expansion. **Underwriters**—Goldman, Sachs & Co., New York, and Piper, Jaffray & Hopwood, Minneapolis, Minn.

Potomac Electric Power Co.
April 16, R. R. Dunn, President, announced company plans to raise about $40,000,000 of new money in connection with its $62,000,000 construction program in the years 1952, 1953 and 1954. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Stone & Webster Securities Corp. and Union Securities Corp. (jointly); First Boston Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co. and Blyth & Co. Inc. (jointly); Dillon, Read & Co. Inc.; Harriman Ripley & Co., Inc.

Pressed Steel Car Co., Inc.
April 17 stockholders approved a proposal to increase the authorized common stock from 1,280,000 shares to 3,280,000 shares (1,045,500 shares presently outstanding). The new shares would be issued when directors decide, in connection with diversification program. No immediate financing is planned. **Traditional Underwriter**—Kuhn, Loeb & Co., New York.

Pubco Development Co.
May 15 it was announced that company plans to issue and sell to present warrant holders additional warrants to purchase 605,978 shares of common stock at $1 per share on a one-for-one basis. **Price** — $2 per warrant exercisable on or before Jan. 1, 1955. **Proceeds** — For purchase and development of natural gas and oil leases. **Underwriter**—Allen & Co., New York.

St. Joseph Light & Power Co.
May 21 stockholders authorized an increase in funded indebtedness by $1,500,000 as needed by Dec. 31, 1954, to finance the company's construction program in part. It is also planned to issue 5,000 authorized shares of preferred stock (par $100).

Sapphire Petroleums, Ltd.
May 20 it was reported company may do about $2,000,000 of new financing (including an issue of convertible debentures). **Proceeds** — For acquisition of properties and for development expenses. **Underwriters** — To include Frame, McFadyen & Co., Toronto, Canada.

Scott Paper Co.
April 24 stockholders approved a proposal to increase the authorized common stock from 3,000,000 to 5,000,000 shares, and the authorized indebtedness from $4,000,000 to $25,000,000. The company said it will announce later any plans for future financing. **Underwriters**—Drexel & Co.; Merrill Lynch, Pierce, Fenner & Beane; and Smith, Barney & Co.

★ Sooner State Oil Co. (6/17)
June 3 it was reported the company plans to issue and sell 300,000 shares of common stock (par 10 cents). **Price** —$1 per share. **Proceeds**—For drilling expenses, etc. **Underwriter**—Israel & Co., New York.

Southern California Edison Co.
April 18 it was reported company plans to obtain between $25,000,000 and $28,000,000 of new capital through the sale of additional securities. **Proceeds**—For new construction. **Underwriters** — Probably The First Boston Corp.; Harris, Hall & Co. (Inc.) **Offering**—Expected in Fall.

Southern Natural Gas Co.
March 3 company filed with FPC a $76,000,000 expansion program to bring natural gas into its Alabama, Georgia and Mississippi service areas.

Standard Forgings Corp.
April 25 stockholders approved an increase in authorized common stock from 266,000 shares to 350,000 shares. **Traditional Underwriter**—Shields & Co., New York.

● Utah Power & Light Co.
June 3 it was reported that company may issue and sell in September about $10,000,000 of first mortgage bonds and 150,000 shares of common stock. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—May be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Salomon Bros. & Hutzler; Kidder, Peabody & Co. (2) For common stock—Blyth & Co., Inc., W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; The First Boston Corp.

★ Virginia Electric & Power Co.
May 26 it was reported company plans issuance and sale later this year of $20,000,000 first and refunding mortgage bonds. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly); Stone & Webster Securities Corp. and Harriman, Ripley & Co., Inc. (jointly); Union Securities Corp.; Salomon Bros. & Hutzler.

Washington Water Power Co.
Jan. 9 company applied to the SEC for authority to make bank borrowings of $40,000,000, the proceeds to be used to finance contemporarily, in part, the company's construction program. Permanent financing expected later this year. Probable bidders: (1) For stock or bonds: Blyth & Co., Inc.; Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); (2) for bonds only: Halsey, Stuart & Co. Inc.

Our Reporter's Report

The new issue market continued to take a breathing spell this week and the underwriting fraternity was not too greatly perturbed by the course of events.

It was the consensus that the market appeared a little tired. But as some observers were moved to comment "so are the people who do the business." For the moment the hot weather appears to have stimulated the vacation spirit and this yearning seems to draw acceleration from such seasonal events as college graduations and reunions.

The week would have been decidedly dull but for the bringing out of one large utility stock issue for public offering and the opening of subscriptions for a huge block of common stock of another power firm.

There is a fair calendar of small offerings in sight for the balance of the month but the roster of new prospects thins out turning into July.

This week's new debt offerings met with a mixed reception, Kansas City Gas & Electric's $12,000,000 of 30-year 3⅜s, brought out at 101.421 to yield 3.30%, proved a fast mover. Virtually the entire issue was reported as spoken for quickly.

On the other side of the picture Northern States Power Co.'s $21,500,000 of new first mortgage 30-year, 3¼s, offered at 101.153 to return 3.19%, were reported rather slow.

Several Large Issues

Next week will bring out several sizable debt offerings, topped by Public Service Electric & Gas Co.'s $40,000,000 of 20-year debentures, due for bids on Tuesday.

Banking groups are slated to bid Monday for $12,000,000 of 20-year first mortgage bonds of the Kentucky Utilities Co. On Wednesday American Gas & Electric Co. will open bids for $20,000,000 of 25-year sinking fund debentures.

Meantime, through negotiated channels, bankers will offer $5,000,000 of Bristol-Myers 25-year debentures on Tuesday as part of a combined operation which includes sale of 199,937 shares of additional common to present holders.

And on Wednesday, the Houston Lighting & Power Co., also by negotiation, will market $14,265,550 of 15-year convertible 3¼% debentures, making the initial offering to common stockholders.

Treasury Scurries About

The Treasury, whose recent long-term offering failed to elicit the substantial cash subscriptions hoped for is coming into the market with a new intermediate bond issue.

Secretary Snyder thus far has revealed no more than the barest outline of the projected new financing. But it is expected that the details will be given over the weekend with subscription books due to open on Monday.

The bonds will be dated July 1 next and will be offered in the amount of $3,500,000,000 although it is doubted that the Treasury would refuse any oversubscription. Since the issue will be eligible applicable to the Treasury's tax and loan accounts it is presumed that the bonds will be open to commercial banks and other institutional buyers.

Public Service Electric & Gas

Public Service Electric & Gas Co.'s negotiated offering of 700,000 shares of additional common stock direct to the public appeared to be meeting with good response.

Bankers agreed to pay the company a price of $25.50 a share, less underwriting commission of 81 cents a share and reoffered at $25.50 a share less a 50-cent commission.

Reports indicated that there was a brisk interest in the issue but that the underwriting would require a bit of selling effort before it was completed.

Railroad Securities

Chicago, Rock Island & Pacific

The rail market has developed quite a buoyant tone in the past week or so. Apparently there is a growing realization that for the current year at least this group has a number of advantages over many of the industrial groups. For one thing, this is one field which is almost certain to report higher earnings in 1952 than in 1951. Secondly, in contrast to the outlook in many other fields, dividend disbursements by railroads in the current year will without doubt be larger than they were last year. As price-earnings ratios are generally quite modest and yields generous, these factors give ample background to a more optimistic appraisal by investors of railroad securities.

One characteristic of the recent upward trend of railroad stock prices is that the higher priced and fundamentally sound companies have been in the forefront. It is true that there has been periodic heavy buying of the more speculative, and even non-dividend-paying stocks. Some in this category have registered advances. For the most part, however, spasmodic flurries in the speculative list have been short-lived and it has been difficult to maintain the gains. On the other hand, a large majority of the better grade equities have consistently moved forward into new high ground, pausing only to rest from time to time. To the rail analyst the discriminating nature of the buying is a happy omen.

One of the good grade rail stocks that has been attracting increasing attention, after an extended period of disappointing market action, is Chicago, Rock Island & Pacific. Few roads enjoy such a sound capital structure as Rock Island. First it went through a drastic reorganization. When this was consummated the management undertook an aggressive program of reducing the new debt structure. Since reorganization the already drastically reduced non-equipment debt has been pared by almost 50%. By the end of last year mortgage debt, represented by first 2⅞ths, 1980, with a good sinking fund, stood at $52,737,000. Total debt, including equipments, stood at $95,830,000. Stock capitalization consisted of 703,989 shares of $5 preferred, cumulative only if earned, and 1,408,837 shares of common. This is a remarkably small capitalization for a road doing a business of over $200 million.

Aside from the question of capitalization there are other elements of underlying strength in the present Rock Island picture. For one thing, there has been considerable industrial growth in parts of the territory served and the company's status with respect to transcontinental traffic, in conjunction with Denver & Rio Grande Western, has been bettered materially. Thus the traffic potentialities are improved and the road is no longer so heavily dependent for its prosperity on the vagaries of the grain crops. The trustees during the bankruptcy proceedings, and the new management subsequently, have spent substantial sums on the property and on new equipment. These expenditures have resulted in a material increase in operating efficiency. These are permanent benefits.

Last year Rock Island's operations were severally affected by the heavy spring floods. As a result there was a dip in common share earnings to $8.44 compared with $10.20 reported in the preceding year. This year the trend has again been upward. There was a slight improvement in gross revenues in the opening four months. Maintenance outlays were heavier in the 1952 interim, but the all-important transportation ratio was pared by nearly two points. Overall, the operating ratio was modestly lower than it had been a year ago. As a result, common share earnings increased from $3.01 to $3.67. With higher freight rates now in effect, even more favorable comparisons appear likely in coming months. For the full year 1952 share results should top $10 by an appreciable margin. If so, hopes of another increase in dividends, above the current $4 rate, would appear justified.

Kuhn, Loeb Offers Kansas G. & El. Bonds

Kuhn, Loeb & Co. is offering $12,000,000 first mortgage bonds, 3⅜% series, due 1982, of Kansas Gas & Electric Co. at 101.421% and accrued interest, to yield 3.30%. The firm, bidding alone, won award of the bonds at competitive sale on Tuesday on a bid of 101.126%.

The bonds are redeemable at general redemption prices decreasing from 104.43% to par and at special redemption prices ranging from 101.43% to par.

The principal use of the proceeds from the sale of the bonds will be to provide a portion of the funds required for the construction or acquisition of permanent improvements, extensions and additions to the company's property, and to pay off $2,440,000 of temporary bank loans incurred for construction expenditures.

Kansas Gas & Electric Co., incorporated in 1909, is an operating public utility engaged principally in the generation, purchase, transmission, distribution, and sale of electric power and energy in an area comprising 6,000 square miles in the southeastern portion of Kansas. Electric service at retail is provided to 121 communities having an aggregate estimated population of 382,700 and electric service at wholesale is provided to six communities having an estimated aggregate population of 5,563.

Operating revenues during 1951 totaled $16,321,429 while net income amounted to $2,760,868.

Del Monaco Back to Desk

ROCHESTER, N. Y.—Ben Del Monaco, President of Genesee Valley Securities Co., Powers Building, has returned to his desk after a combined business and pleasure trip to France, Switzerland and Italy, from April 9 to June 3.

Baxter, Williams Adds

(Special to The Financial Chronicle)

CLEVELAND, Ohio—G. Thomas Greenfield has become associated with Baxter, Williams & Co., Union Commerce Building, members of the Midwest Stock Exchange. Mr. Greenfield was previously with Wm. J. Mericka & Co., Inc.

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Dealer-Broker Investment Recommendations & Literature

Manufacturers Trust Company—Analytical study—Paine, Webber, Jackson & Curtis, 24 Broad Street, New York 4, N. Y.

Monmouth Park Jockey Club—Special report—Hunter Securities Corporation, 52 Broadway, New York 4, N. Y.

New England Lime Company — Analysis—Dayton Haigney & Co., Inc., 75 Federal Street, Boston 10, Mass.

Oklahoma Gas & Electric Co.—Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Texas Gulf Producing Co.**

Riverside Cement Co.—Analysis and review of the Cement Industry—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Spencer Chemical Company — Study — Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

Stone & Webster, Inc.—Review—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Toledo Edison Co.—1951 annual report and area development booklet—Toledo Edison Co., Toledo 4, Ohio.

Trans American Petroleum Corporation—Offering circular—Weber-Millican Co., 50 Broadway, New York 4, N. Y.

NSTA Notes

CLEVELAND SECURITY TRADERS ASSOCIATION

The Annual Summer Party of the Cleveland Security Traders Association will be held at the Westwood Country Club on Friday, June 27.

Arrangements have been completed assuring a wonderful dinner and all the other things that go to offer an enjoyable day with the guy who will clip you for an eighth the next day. Perfect weather has even been arranged in consultation with Art Grace who majored in weather forecasting at Tufts College.

Bill Gray, Wm. J. Mericka & Co., will handle the golfers. Attractive prizes will be presented the winners.

Corb Liston, Prescott & Co., will head a special event planned for the outing.

Warren Foster, Gottron, Russell & Co., is in command of hotel reservations for the out-of-town traders.

Hank Greenberg of the Indians will speak at the dinner.

H. Russell Hastings

VISITS AFFILIATES

H. Russell Hastings, Crouse & Company, Detroit, Michigan, has just completed a trip to the West Coast during which he visited the NSTA affiliates in San Francisco, Portland and Seattle.

BOND TRADERS CLUB OF CHICAGO

The Bond Traders Club of Chicago announces that the locale of their 26th annual field day to be held Saturday, June 28. has been changed to the Chevy Chase Country Club. Guest fees $15.

Events of the day will begin at 8:30 a.m. for golfers. The Golf tourneys are in charge of Glen A. Daffler, Kneeland & Co., assisted by Harley H. Stoner, Halsey, Stuart & Co. Inc. and William H. Lane, Harris Trust & Savings Bank. Prizes for members will be for 1st and 2nd low gross; first 10 low net (Peoria), and a special short hole prize; for guests prizes will be awarded for low gross and low net (Peoria).

Baseball, in charge of Nathan M. Silberman, Straus, Blosser & McDowell, will start at 2:30 p.m. There will also be horseshoes, swimming (pool fee $1.80), cards, African dominoes, etc., at the Clubhouse in charge of N. B. Baum, Blair, Rollins & Co., Inc.

The Club also notes that to reach the Chevy Chase Club by car, travel one mile north of Wheeling, Ill. on Route 21 (Milwaukee Avenue).

Toothsome Twosomes For Corp. Traders

Five luncheons-a-deux have been donated as golf prizes for the annual golf outing of the Corporate Bond Traders of New York by Charles Carroll and Frank Eiras of the Antlers Restaurant, 67 Wall Street, New York City.

The Corporate Bond Traders' outing will be held June 13 at the Nassau Golf Club.

With Paul C. Rudolph

(Special to The Financial Chronicle)

SAN JOSE, Calif. — Frank M. Caverly is now with Paul C. Rudolph & Company, Bank of America Building.

Sheardy Lamb Opens

SAN ANGELO, Texas—Sheardy A. Lamb is engaging in the securities business from offices here.

Joins Renyx, Field

ATLANTA, Ga. — William H. Prater has become associated with Renyx, Field & Co.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — There is a good prospect that due to the intervention of Treasury Secretary Snyder, Congress may finally pass the so-called "bank conversion bill." This is the bill which would allow the Comptroller of the Currency to waive the requirement of present law that the shareholder of an absorbing bank may get a take-out in cash of the appraised value of his stock, in case of a merger of two national banks. The Comptroller would continue to allow the shareholder of the absorbed bank to get a take-out in cash.

Chairman Brent Spence (D. Ky.) of the House Banking committee has been so absorbed with the cause of the independents versus the bank holding companies, that he has been loathe to allow passage of any legislation to facilitate mergers. The Senate passed the bill last year.

The need for this legislation arises out of the lower market value of bank shares, as compared with their book values.

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Apparently the presumed needs of Administration politics demands its denial, but the actual story of the U. S. military position in Korea, as sources of unquestioned knowledge reveal it, is almost unbelievably black.

In Korea, the US-UN forces are not only heavily outnumbered, but they are inferior in equipment to the enemy. This inferiority is not alone in numbers of weapons. It is also in the quality of equipment. Harry Truman notwithstanding, the U. S. is hopelessly inferior to the Reds in the air.

What this situation means is that at any moment they chose to do so, the Reds could push the US-UN forces back to the Pusan beachhead in a matter of weeks. In other words, the initiative for war now lies with the enemy in both the Atlantic and the Pacific areas, or in both Europe and Asia.

It is recalled that the central theme of the Administration in response to the MacArthur demand for an offensive in early 1951 to defeat the enemy was that "our way," meaning the Administration's strategy of staying put and fighting a defensive war, would "discourage" the Reds and cause them to "tire of war." This was the theme repeated over and over at the hearings on the firing of MacArthur.

Opponents of the Administration at that time expressed doubt as to how a peace or even an armistice could be achieved without winning it, and classical military students have believed that the Russians never would be content to see U. S. military power exist in force not only on the mainland of Asia but near its bases in Manchuria, and be content to leave that force alone.

No one in authority seems to admit privately or publicly that the U. S. forces could be thrown entirely out of Korea. It was always assumed that the guns of the U. S. Navy and the aircraft of its carriers could provide a protective ring for a substantial beachhead. It is often wondered, however, what would happen to those "floating platforms of artillery" and those aircraft carriers if they were subject to attack from superior air of the enemy.

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Notwithstanding the fact that the Reds now hold a defaulted mortgage on the U. S. forces in Korea, it doesn't follow that the Reds will necessarily foreclose any time soon. In other words, as some observers see it, the fact that the Reds do have the upper hand does not necessarily mean that they will use it to slap down and wind up Harry Truman's police action at any time soon.

If the Reds have demonstrated anything, it is how to get the maximum use of military power with its minimum exercise in actual military operations. Everybody from Truman to Ridgway may assert that the Reds wouldn't dare to start an offensive. Such public assertions probably don't either annoy or fool the Reds, for they know that the U. S. commanders must know what the score really is.

Actually the Reds will probably save this particular ace until the time to them seems opportune. When they decide to put terrific pressure against some other area, they would figure that the U. S., knowing the box it is in in Korea, will not be altogether free to take counter measures in a second area.

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What the Federal Reserve and the Housing and Home Finance Agency did with respect to Regulation X was primarily to make a sizable cut in the required down payment for middle and upper class people's housing.

For window dressing purposes, small adjustments were made in the scale of down payments for houses costing between $7,000 and $12,000, and the down payment was cut in half for housing costing $7,000 or less per unit. Probably not more than 3 to 4% of all housing is this cheap.

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With respect to the reports of lowered margin requirements, the story on that is that the Federal Reserve Board just hasn't got to that subject yet. It has not come up for serious consideration or discussion at the level of the Federal Reserve Board itself.

In theory there is no particular reason, it is said, why the Board should not also ease upon margin requirements. The basic situation is said to be that while there is no particular reason why the Board shouldn't ease up on margins, there is no impelling reason why it should. It wouldn't make a great deal of difference to the overall credit and monetary situation either way.

In the light of this situation the Board is said to feel a little annoyed at planted stories that it has reached a tentative decision and that the margin requirements will be such and such a percent. These "plants" are viewed as designed to needle the Board into making a decision. It may work that way, too.

One reason Congress is going slow on labor legislation, other than to modify, as perhaps it will do, the powers of the Wage Stabilization Board, is that the word has gone out to Republicans that they shall please back no new labor legislation this session. This has come from the high commands of both the House and Senate GOP.

President Truman's trip to the Capitol Tuesday to ask for a legal seizure of the steel industry was viewed as a messenger boy trip to promote Phil Murray's cause of the union shop. It was turned down promptly.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"Less and less suit every year—frankly, gentlemen, I don't know where this business will be in 1955!"